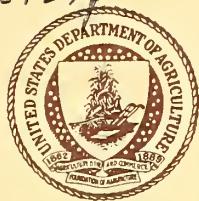


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

Reserve
1.9
Ag 8/Exp



VOL. 2

U.S. Department of Agriculture

1975 BUDGET EXPLANATORY NOTES

RECEIVED
CURRENT ACCOUNTS
MAR 19 1975

MAR 19 1975

U.S. DEPT. OF AGRICULTURE
NAT'L AGRIC. LIBRARY

MARKETING SERVICES

Agricultural Marketing Service
Funds for Strengthening Markets,
Income, and Supply (Section 32)
Commodity Exchange Authority
Packers and Stockyards Administration
Farmers Cooperative Service

INTERNATIONAL PROGRAMS

Foreign Agricultural Service
Public Law 480

COMMODITY PROGRAMS

Agricultural Stabilization and
Conservation Service

CORPORATIONS

Federal Crop Insurance Corporation
Commodity Credit Corporation

C O N T E N T S

(Volume 2)

<u>MARKETING SERVICES</u>	<u>Page</u>
AGRICULTURAL MARKETING SERVICE:	
Purpose Statement	1
Statement of Available Funds and Man-Years	3
Marketing Services	5
Payments to States and Possessions	38
Perishable Agricultural Commodities Act Fund	43
Passenger Motor Vehicles	47
FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32) ..	48
COMMODITY EXCHANGE AUTHORITY:	
Purpose Statement	68
Statement of Available Funds and Man-Years	69
Commodity Exchange Authority	70
PACKERS AND STOCKYARDS ADMINISTRATION:	
Purpose Statement	82
Statement of Available Funds and Man-Years	83
Packers and Stockyards Administration	84
FARMER COOPERATIVE SERVICE:	
Purpose Statement	96
Statement of Available Funds and Man-Years	97
Farmer Cooperative Service	98
<u>INTERNATIONAL PROGRAMS</u>	
FOREIGN AGRICULTURAL SERVICE:	
Purpose Statement	103
Statement of Available Funds and Man-Years	106
Foreign Agricultural Service	107
Salaries and Expenses (Special Foreign Currency Program)	147
Passenger Motor Vehicles	148
PUBLIC LAW 480:	
Purpose Statement	149
Statement of Available Funds	150
Public Law 480	151
<u>COMMODITY PROGRAMS</u>	
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:	
Purpose Statement	163
Statement of Available Funds and Man-Years	166
Salaries and Expenses, ASCS	168
Sugar Act Program	188
Cropland Adjustment Program	197

PageCOMMODITY PROGRAMS - ContinuedAGRICULTURAL STABILIZATION AND CONSERVATION SERVICE - Continued

Dairy and Beekeeper Indemnity Programs	202
Rural Environmental Program	207
Agricultural Conservation Program (REAP)	210
Water Bank Act Program	214
Emergency Conservation Measures	219
Conservation Reserve Program	223
Cropland Conversion Program	225

CORPORATIONSFEDERAL CROP INSURANCE CORPORATION:

Purpose Statement	227
Statement of Available Funds and Man-Years	228
Administrative and Operating Expenses	229

COMMODITY CREDIT CORPORATION:

Purpose Statement	254
Statement of Available Funds	255
Reimbursement for Net Realized Losses	256
Administrative Expenses	275
National Wool Act	276

AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service was established by the Secretary of Agriculture on April 2, 1972, under the authority of the Reorganization Plan No. 2 of 1953, and other authorities. The Service carries out its programs under the following legislation: Agricultural Marketing Act of 1946, Agricultural Marketing Agreement Act of 1937, Agricultural Fair Practices Act, Cotton Futures Provisions of the Internal Revenue Code of 1954, Cotton Research and Promotion Act, Cotton Statistics and Estimates Act, Egg Products Inspection Act, Export Apple and Pear Act, Export Grape and Plum Act, Federal Seed Act, Naval Stores Act, Perishable Agricultural Commodities Act, Plant Variety Protection Act, Produce Agency Act, Tobacco Inspection Act, Tobacco Plant and Seed Exportation Act, Tobacco Statistics Act, Wool Standards Act, U. S. Cotton Standards Act, U. S. Grain Standards Act, U. S. Warehouse Act, and Agricultural Adjustment Act of 1938. Through its marketing and regulatory programs, the Service aids in advancing orderly and efficient marketing and effective distribution of products from the Nation's farms. Surplus agricultural commodities are purchased under Section 32 of the Act of August 24, 1935, for distribution to schools, families, and institutions, and for emergency relief use.

The Agricultural Marketing Service carries on the following principal programs:

1. Marketing Services. These activities are directed toward assisting in the further development of an orderly marketing system for agricultural commodities and include:
 - a. Market news service to provide timely and reliable market reports on all major agricultural commodities to help farmers determine when, where, and at what price to sell their products; and to provide timely commodity price information for use of other decision makers in agricultural marketing;
 - b. Inspection, grading, classing, and standardization services to (1) develop standards of quality and condition for agricultural commodities and to use them in providing the language of commerce for these commodities through the inspection, grading and standardization programs -- language which permits trade and commerce among buyers and sellers who need never see each other, but who, because they have been provided a common language which accurately describes the commodities of their transactions, are able to buy or sell with complete understanding and assurance of what is being traded; and (2) participate and assist in the development of international food standards; and
 - c. Regulatory activities covering administration of laws, the purposes of which include preventing financial loss resulting from deceptive, careless, and fraudulent marketing practices and providing assistance in obtaining and maintaining equitable transportation rates and services on farm supplies and products.
2. Funds for Strengthening Markets, Income, and Supply (Section 32). Activities carried out by the Service directly or indirectly contribute to stabilizing prices received by farmers and establishing and maintaining orderly marketing conditions through:
 - a. Commodity procurement programs in support of public feeding (needy family) and child nutrition, including school lunch, and using Section 32 funds to assist in the marketing and use of mostly

perishable agricultural commodities in need of marketing assistance because of supply in excess of market demands at fair prices.

- b. Under authority of 7 USC 1392b, Section 32 funds are used for supervising marketing agreement and order programs and for public hearings and referenda to determine producer sentiment relative to new programs and revision of current programs. Marketing orders establish orderly marketing conditions. In the case of dairy orders this is done by fixing minimum prices which handlers pay to producers. For fruit and vegetable, grain and tobacco orders orderly marketing is maintained by regulating the quality, quantity or size of products which handlers may market in commercial channels.
3. Food Management Preparedness. Pursuant to Executive Order 10998 delegating certain defense responsibilities to the Department, the Agricultural Marketing Service is assigned pre-emergency preparedness and emergency operations relating to management of food supplies and their post-attack distribution.
4. Work Performed for Others. The Agricultural Marketing Service also performs other services for Federal, State, and private agencies, on a reimbursable basis.

A large part of the programs of the Agricultural Marketing Service is carried on through field branch offices of several Washington commodity and functional divisions in the various States and Puerto Rico.

In the Agricultural Marketing Service, including the offices of the Milk Market Administrators, approximately 83% of the full-time employees and most of the part-time and intermittent employees are located in the field. About 69% of this total employment is financed through revenue from fees, charges, or other assessments and through joint financing or other arrangement with other Federal agencies, States, and private cooperators.

Available Funds and Man-Years
1973 and Estimated, 1974 and 1975

Item	Actual		Estimated		Budget Estimate	
	1973		Available 1974		1975	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
<u>Agricultural Marketing</u>						
Service:						
Marketing Services ..	\$34,519,952	1,734	\$37,064,000	1,786	\$39,915,000	1,804
Payments to States						
and Possessions	2,500,000	--	1,600,000	--	--	--
Total	37,019,952	1,734	38,664,000	1,786	39,915,000	1,804
<u>Obligations under other:</u>						
USDA appropriations:						
Agricultural Stabili-						
zation and Conserva-						
tion Service-for						
operation of commo-						
dity teletype, data						
on wheat exports by						
classes, and mis-						
cellaneous services..	29,750	2	44,000	3	45,000	3
Agricultural Research:						
Service-for cotton &						
cordage fiber and						
spinning tests	21,690	2	24,000	2	24,000	2
APHIS-for data pro-						
cessing services ...	158,104	5	--	--	--	--
Commodity Credit						
Corporation:						
For classing cotton:						
and tobacco grdg..	582,554	88	1,683,000	113	1,698,000	113
For classing CCC-						
owned cotton	16,866	1	20,000	1	20,000	1
For warehouse exam-						
ination functions..	2,942,386	144	3,300,000	151	3,428,000	151
Food and Nutrition						
Service-for commo-						
dity procurement,						
information, and						
miscellaneous svcs..	570,511	11	249,000	12	262,000	12
Statistical Reporting:						
Service-for beef,						
steer, and heifer						
data	41,505	5	45,000	5	46,000	5
Miscellaneous						
reimbursements	70,381	3	316,000	6	332,000	6
Total, Other USDA						
Appropriations ...	4,433,747	261	5,681,000	293	5,855,000	293
Total, Agricul-						
tural Appropria-						
tion Bill	41,453,699	1,995	44,345,000	2,079	45,770,000	2,097

(Continued on next page)

Item	Actual		Estimated		Budget Estimate	
	1973		Available 1974		1975	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Permanent appropriations:						
Funds for Strengthening Markets, Income, and Supply (Section 32).....	959,086,821	524	931,485,638	511	1,035,000,000	492
Carryin	194,472,738	--	262,988,116	--	147,806,192	--
Recovery of prior year obligations ..	13,362,719	--	--	--	--	--
Unobligated balance transferred from						
other accounts	395,452	--	--	--	--	--
Deduct Carryout	-262,988,116	--	-147,806,192	--	-164,972,192	--
Deduct Transfers	-147,323,663	--	-225,035,562	--	-731,471,000	--
Deduct Allotment to						
FNS	-568,678,308	-248	-549,384,000	1/	-257	-138,203,000
Net, AMS	188,327,643	276	272,248,000	254	148,160,000	255
Perishable Agricultural Commodities						
Act Fund	1,245,200	86	1,451,000	86	1,573,000	86
Total, Permanent Appropriations ..	189,572,843	362	273,699,000	340	149,733,000	341
Federal funds	64,891	2	90,000	2	90,000	2
Non-Federal	42,513,894	2,424	47,644,000	2,547	49,799,000	2,492
Other Funds	42,578,785	2,426	47,734,000	2,549	49,889,000	2,494
Milk Market Orders						
Assessment Fund ...	19,174,920	880	21,401,000	866	23,109,000	850
Total, Agricultural Marketing Service ...	292,780,247	5,663	387,179,000	5,834	268,501,000	5,782

	1973 Actual	1974 Estimated	1975 Estimated
End of Year Employment:			
Permanent full-time	4,869	4,844	4,750
Other	561	550	550
Total	5,430	5,394	5,300

1/ Excludes \$15,000,000 supplemental appropriation for FNS in FY 1974.

(a) Marketing Services

Appropriation Act, 1974	\$34,865,000
Budget Estimate, 1975	<u>39,915,000</u>
Increase in Appropriation	<u>+5,050,000</u>

Adjustments in 1974:

Appropriation Act, 1974	\$34,865,000	
Transfer to General Services Administration for rental of space	-23,000	
1974 Transfer from ASCS for pay costs	<u>+2,222,000</u>	
Adjusted base for salaries and Expenses, 1975		37,064,000
Budget Estimate, 1975		<u>39,915,000</u>
Increase over adjusted 1974		<u>+2,851,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1974 Estimate	Increase or Decrease	1975 Estimate
Market News Service	\$9,178,000	+\$305,000	\$9,483,000
Inspection, Grading, Classing, and Standardization	22,476,000	-396,000	22,080,000
Regulatory Activities	3,038,000	+249,000	3,287,000
Administration and Coordination of State Payments	150,000	-150,000	--
GSA Space rental costs	--	+2,524,000	2,524,000
Annualization of the pay cost increase effective in FY 1974 ..	<u>2,222,000</u>	<u>+319,000</u>	<u>2,541,000</u>
Total available	<u>37,064,000</u>	<u>+2,851,000</u>	<u>39,915,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973 Actual	1974 Estimate	Increase or Decrease	1975 Estimate
1. <u>Market News Service:</u>				
a. Cotton and cottonseed	\$856,190	\$941,000	+\$52,000	\$993,000
b. Dairy and poultry products ..	1,561,936	1,656,000	+132,000	1,788,000
c. Fruits and vegetables	2,602,103	2,782,000	+471,000	3,253,000
d. Grain, hay, feed, etc.	654,883	744,000	+41,000	785,000
e. Leased wire service	707,740	677,000	+29,000	706,000
f. Livestock, meats, and wool ..	2,286,344	2,518,000	+191,000	2,709,000
g. Naval stores	33,420	39,000	+4,000	43,000
h. Tobacco	341,379	407,000	+26,000	433,000
Total, Market News Service.	9,043,995	9,764,000	+946,000	10,710,000
2. <u>Inspection, Grading, Classing, and Standardization:</u>			(1):	
a. Cotton and cottonseed	7,560,570	7,770,000	+1,317,000	9,087,000
b. Dairy products	98,194	110,000	+12,000	122,000
c. Egg & egg products inspection :	4,632,810	6,449,000	-372,000	6,077,000
d. Fruits and vegetables	1,131,927	1,118,000	+108,000	1,226,000
e. Grain(U.S.Grain Standards Act):	2,669,602	2,929,000	+330,000	3,259,000

Continued on next page

Project	1973 Actual	1974 Estimate	Increase or Decrease	1975 Estimate
<u>Inspection, Grading, Classing, and Standardization: (Cont'd)</u>				
f. Livestock, meats, and wool ...	284,501:	330,000:	+50,000:	380,000
g. Naval stores	40,129:	52,000:	--	52,000
h. Poultry products grading	303,964:	347,000:	+22,000:	369,000
i. Rice, hay, beans, etc.	81,377:	83,000:	+4,000:	87,000
j. Tobacco	4,608,783:	4,696,000:	+195,000:	4,891,000
Total, Inspection, Grading, :				
Classing & Standardization:	21,411,857:	23,884,000:	+1,666,000:	25,550,000
3. <u>Regulatory Activities:</u>			(2):	
a. Cotton research and promotion:	59,424:	65,000:	+1,000:	66,000
b. Export Fruit Acts	19,022:	20,000:	--	20,000
c. Federal Seed Act	537,950:	581,000:	+236,000:	817,000
d. Naval stores and tobacco :				
export permits	14,342:	15,000:	--	15,000
e. Plant Variety Protection Act :	220,029:	266,000:	+66,000:	332,000
f. Transportation services	328,164:	392,000:	+19,000:	411,000
g. U.S. Warehouse Act	1,696,342:	1,915,000:	+79,000:	1,994,000
Total, Regulatory Activities:	2,875,273:	3,254,000:	+401,000:	3,655,000
4. <u>Administration and Coordination:</u>			(3):	
<u>of State Payments</u>	146,639:	162,000:	- 162,000:	--
Unobligated balance	1,042,188:	--	-- (4):	--
Total, available or estimate	34,519,952:	37,064,000:	+2,851,000:	39,915,000
Prop.transf.from ASCS for pay costs:	--	-2,222,000:		
Transferred to GSA	+128,048:	+23,000:		
Total Appropriation	34,648,000:	34,865,000:		

EXPLANATION OF PROGRAM

1. Market News Service

The market news program is carried out under the (1) Agricultural Marketing Act of 1946, (2) Cotton Statistics and Estimates Act of 1927, (3) Tobacco Statistics Act of 1929 and, (4) Tobacco Inspection Act of 1946.

The market news service provides local, regional and national level price information. The information is current and covers supply, movement, contractual agreements and prices at specific markets for practically all agricultural commodities. The marketing of agricultural products is characterized by a series of decision points through which product flows concentrate and transactions take place. Market news provides American farmers at these decision points with timely, accurate, and unbiased information pertinent to market conditions. Thus, on a day-to-day basis, the American farmer is in a position to make the critical decisions of where and when to sell, and at what price.

Market information is obtained by trained Federal or State reporters who visit trading points at the time of transactions or gather data by telephone. Information collected by these reporters is analyzed and sent immediately over a leased wire network. National information is integrated with local information and released in a form easily understood by the industry and locality served. The information is disseminated by all the news media, as well as by mimeographed reports, telephone, tape recorder, and telegraph. The volume of work performed is indicated by examples given in the following table:

Market News Service

	<u>FY 1973</u>
States covered by cooperative agreements	43
Mimeographed releases to growers, shippers, and others (thousands)	15,291
Number of commodities reported	334
Number of markets covered	985
Number of Federal reporters	232

2. Inspection, Grading, Classing, and Standardization

This program is carried out under the following authorities:

- Agricultural Marketing Act of 1946
- Cotton Statistics and Estimates Act
- Cotton Futures Provisions of Internal Revenue Code
- Cotton Standards Act
- Egg Products Inspection Act
- Import and Export Inspection Overtime Act
- Naval Stores Act
- Tobacco Inspection Act
- U.S. Grain Standards Act
- Wool Standards Act

The above legislation was enacted to improve the price and market conditions for farm products through the establishment of reliable buying and selling guides by defining standards and specifications, and through the establishment of a quality and condition identification service using generally accepted grades.

The inspection, grading, classing, and standardization program provides for quality standards and the uniform application of them. These are vital to an efficient marketing system. Program guidelines are of use to buyer, seller, and consumer in that the seller will receive a price commensurate with quality, the buyer can ascertain quality without personal inspection, and the consumer will have a basis for choice.

3. Regulatory Activities

In the performance of marketing regulatory activities Agricultural Marketing Service operates under the following authorities:

- U.S. Warehouse Act (1916)
- Naval Stores Act (1923)
- Agricultural Adjustment Act (1938)
- Export Apple and Pear Act (1938)
- Federal Seed Act (1939)
- Tobacco Seed and Exportation Act (1940)
- Export Grape and Plum Act (1960)
- Cotton Research and Promotion Act (1966)
- Agricultural Fair Practices Act (1967)
- Plant Variety Protection Act (1970)
- Wheat Research and Promotion Act (1970)

Regulatory programs cover the inspection, storage, and transportation of agricultural commodities; licensing and registration of handlers; research on the uses of cotton and wheat; issuance of patents on the development of novel, sexually-reproduced plants; and the surveillance of fair trade practices.

Workload factors involve the number of (1) warehouses examined under U. S. Warehouse Act, (2) samples analyzed or tested under the Federal Seed and Naval Stores Acts, (3) complaints received and investigations made under the Agricultural Fair Practices Act, (4) compliance actions under the Federal Seed and Agricultural Fair Practices Act, (5) lots checked and pounds exported under the Export Apple, Pear, Grape and Plum Acts, (6) applications examined and certificates issued under the Plant Variety Protection Act, also certificates issued under Tobacco Seed and Exportation Act, (7) formal litigations and informal negotiations under the Agricultural Adjustment Act, and (8) the amount of dollars collected and refunded under the Cotton Research and Promotion Act.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$946,000 for market news service consisting of:

GSA space rental costs	+ \$542,000
Annualization of pay cost increases	
effective in FY 1974	+99,000
Expansion of program and increased	
Federal Telecommunication Service .	+305,000

(a) An increase of \$35,000 for expanding livestock auction coverage.

Need for Increase: Auction markets have become the major method of marketing feeder animals and have replaced terminals in providing price-basing information generally used in other feeder sales. Most auction reporting is conducted under Federal-State cooperative agreements. Federal coordination provides national uniformity of reports and broad dissemination of the information to assure orderly marketing and help maintain comparable price levels between marketing areas. Requests for new and expanded cooperative agreements with States are anticipated during the budget period. In the absence of a Federal-State program, some auctions must be reported with Federal funds so that market information can continue to be available to producers.

Plan of Work: The demand for more market information from production areas will require the expansion of existing programs. In the Amarillo area, the reported expansion in the number and size of feedlots--as well as slaughter establishments--will require additional manpower and Federal funds to adequately provide market information. In Dodge City, the expansion of feedlots and the growth of the auction sale make it necessary to do more traveling; however, the amount of traveling has not been adequate and the expanded auction reporting has not been possible. In Des Moines, the direct reporting requires expansion from a weekly to a daily report, in an effort to keep producers well informed.

In Federal-State programs, the States have seen the value of auction coverage, and in many instances--Tennessee, Kentucky, Alabama, Georgia, Iowa, and Arkansas--have increased the number of State employees and auctions reported. This expansion on the part of the States necessitates additional Federal supervision and travel to maintain nationally uniform reports.

(b) An increase of \$5,000 for training market reporters.

Need for Increase: Due to a large turnover in technical personnel and greater participation on the part of State agencies, increased training of State personnel is needed to maintain the proper standardization in reporting procedures and uniformity in interpretation of reports.

Plan of Work: Fruit and Vegetable market news would provide up to eight weeks training for two State reporters each year. Salary costs of State reporters will be assumed by the States. AMS would pay all other costs of printing and travel to the training points. This would result in qualified reporting in all areas and add flexibility in Federal-State negotiations.

(c) An increase of \$70,000 for Federal Telecommunication Service (FTS) costs.

Need for Increase: In the last two years FTS costs have increased almost 50 percent. Most of this increase has not been related to increased program activity, but is due primarily to higher rates. These increased costs for FTS create a drain on the very limited resources for the program. Additional funds are requested to cover these increased FTS costs.

(d) An increase of \$41,000 for fruit and vegetable truck shipment reports.

Need for Increase: Intelligent marketing decisions concerning fruits and vegetables are difficult in the absence of adequate information concerning volume of supplies. Railroads contribute a wealth of information to market news at no cost to the government. However, reports of truck shipments, which represent well over half of the volume of commodities moving to market, are not so readily available. Consequently, market news would provide personnel and funds to collect the information from each individual trucker because the information is not available at central points.

Plan of Work: The requested increase would enable the Division to provide truck shipment reports from such important production areas as western and central New York, the States of Michigan, Delaware, and eastern Pennsylvania. These are the only significant growing areas in the United States which are covered by price reports but are not covered by truck shipment reports.

(e) An increase of \$57,000 to study fruit and vegetable contract reporting.

Need for Increase: The proportion of fruits and vegetables moving in processed form continues to increase and now constitutes over half of the total farm output of these products. Much of the processing fruits and vegetables are covered by grower-processor preseason contracts though some move to processors at open market prices. Market news has provided information to growers on open market prices paid by processors for many fruits and a few vegetables, but has not endeavored to develop a reporting service for the price and non-price terms of products moving under contract to processors. Accordingly, growers have no adequate basis for determining whether the contract terms are fair or for selecting the best alternative for selling or contracting their products.

Plan of Work: AMS proposes to study the feasibility and need of providing such data in fiscal year 1975 covering all of the major areas of the country where fruits and vegetables are grown for processing. This study would evaluate (1) the availability of the data from producers and processors, (2) the need by both growers and processors for this information, (3) the quality and coverage of contract information now being provided by private sources to growers and processors, (4) the cost of providing the service in the areas where need is clearly shown, and (5) which agency is best equipped to assemble and report data on contract terms, both price and non-price.

(f) An increase of \$10,000 for North Carolina ornamental crops market news office.

Need for Increase: The ornamental crops industry adds over a billion dollars to the economy of this country. The 12,000 or more growers need more market news reports than the few now available to them. The national program on ornamental crops currently covers six wholesale markets and three production areas. Market reporting is needed immediately in one more shipping area.

Harvesting of ornamental crops follows seasonal patterns similar to those of fruits and vegetables. Florida supplies a large portion of the gladioli, chrysanthemums and pompons during the period October through May. As the weather warms, production moves farther north. During May-June and again during September-November, Florida is out of production or in very light volume. Also, growers near such cities as Philadelphia and New York have not yet started cutting in volume or are finished for the season. Reporting the North Carolina crop on a Federal-State sharing basis would fill the void between Florida and the crops near the destination cities.

Plan of Work: During these transitional periods, May-June, September-November, North Carolina is an important source of supply. Market news has had requests from producers in Florida as well as many wholesalers along the eastern seaboard concerning desirability of adding reports from North Carolina. Provided with reports from North Carolina, the marketing firms would have fairly complete information for these products for the entire year inasmuch as shipping point reports are not needed for supplies grown nearby the large terminal markets.

(g) An increase of \$36,000 for Miami, Florida fruit and vegetable terminal market news office.

Need for Increase: The growing metropolitan area of Miami justifies wholesale market news reporting. Supplies in that city arrive from 43 States and Puerto Rico in addition to 10 foreign countries. The volume sold there is comparable to such cities as New Orleans, Minneapolis, Baltimore, and St. Louis. The multitude of hotels and restaurants as well as the shipping and airline traffic have increased patronage on the wholesale fruit and vegetable market. Miami was selected as a market needed by the fruit and vegetable industry because there is no southeastern terminal market news office located south of Atlanta. Wholesale markets exist in Jacksonville and Tampa as well as Miami, but market news does not report sales on these markets. Currently, all market news offices in Florida are occupied in providing reports of seasonal production areas which supply much of the United States during the winter months. There is no suitable indicator for producers in the other 42 States, which supply Miami, to guide them about changing market conditions in Florida. Miami is a large and growing city which influences prices throughout the State. Market information is needed by growers and shippers to consider when it is advantageous to ship to a Florida point.

A Miami market news office would be a valuable addition to the market news program and provide a "barometer" of market conditions in the southeast area below Atlanta.

Plan of Work: Miami would be considered a Category I (national significance) office. It would be staffed by 2 Federal employees--a market reporter and a clerk.

(h) An increase of \$51,000 for fruit and vegetable market news offices in New York and Texas.

Need for Increase: New York is the largest onion producing State and slightly over half the crop is grown in the Hudson Valley. It ranks second to Michigan in summer celery production. New York produces a larger summer crop of sweet corn than any other State. Lettuce would be covered by this office at no additional cost. All of these eastern New York vegetables are marketed generally from July-November except for onions which continue into March.

New York is one of the leading apple producing States in the country. Eastern New York, including the Hudson Valley and Lake Champlain areas, produced about 240 million pounds in 1972, about 75 percent of the State's production for fresh market. New York apples are marketed every month of the year, but mostly September through May. Eastern New York apples and vegetables are distributed to most of the eastern and southern States. They are in direct competition with western grown products.

An office located in San Antonio would provide reports of wholesale trading on the terminal market and shipping point sales from nearby production areas. Approximately 45 to 50 receivers share facilities on the terminal market and engage in active trading on products from approximately 40 States and four countries. Many of the receivers consolidate loads for reshipping to other markets. As a shipping point office, San Antonio would report vegetables and melons grown around San Antonio as well as in the Winter Garden-Laredo-Coastal Bend production areas. Approximately 50 shippers or grower-shippers in the area market about 10,000 carlots annually of cabbage, carrots, spinach, greens, lettuce, onions, cantaloups and other products. Distribution is largely in the South, Southwest, and Midwest. Marketing activity is heaviest in the fall and spring and competes with Florida, California, and Arizona products.

Plan of Work: An office in Newburgh, New York, located in the Hudson Valley, would provide shipping point reports on celery, corn, lettuce, onions, and apples moving from eastern New York production areas. It would be open seasonally during the active marketing season for these commodities, usually July-May. AMS proposes costs be shared equally by Federal and State agencies.

New York market news reports would be exchanged by teletype with other production areas and terminal markets for benefit of producers in New York and competing production areas, as well as terminal market receivers and chainstore buyers.

The Texas office would provide complete market news coverage for most Texas production areas extending from the lower Rio Grande Valley into the Hereford section. Also, it would enable producers in other States to evaluate San Antonio as a terminal market when comparing alternatives for distribution.

San Antonio would operate year-round. Therefore, AMS proposes that it be staffed by a State reporter and two clerical assistants. The reporter would be trained according to standardized Federal-State techniques and procedures. AMS would provide reimbursement to the State for one-half of the operating costs.

(2) An increase of \$1,666,000 for inspection, grading, classing, and standardization consisting of:

GSA space rental costs	+\$1,862,000
Annualization of pay cost increases	
effective in FY 1974	+200,000
Program changes	-396,000

(a) A decrease of \$500,000 for egg and egg products inspection.

Need for Decrease: When the Egg Products Inspection Act was first implemented, there was uncertainty as to the number of plants that would come under inspection. Experience since then has shown that the number is not as large as originally anticipated. Consequently, the initial estimate for funds was high. The FY 1975 program is budgeted at \$500 thousand below the 1974 amount.

Plan of Work: Due to fewer plants needing inspection, less funds are needed for grants made to States for egg inspection work.

(b) An increase of \$18,000 for development of attribute standards for fruits and vegetables.

Need for Increase: Emphasis is increasing in the development of "attribute type" standards. Attribute type standards is a designation applied to a "go" or "no go" type of standard as opposed to one which measures the relative degree of perfection on a system of score points-- as for example, "US Grade A - 96 points." In an attribute type of approach, defects or deviations from perfection are classified according to their seriousness and a limit is placed on each.

Plan of Work: A technician identifies, classifies, and enumerates each defect present, and determines if the product meets or fails the grade specified. The system requires careful and thorough study, product by product, to be sure the defects are properly classified and the numerical limits set at the right level. In actual plant conditions, once the technician is familiar with the system, the grading procedure becomes reasonably easy to apply.

(c) An increase of \$26,000 for testing corn for aflatoxin.

Need for Increase: At present our standards provide a broad grading procedure that places grain containing possible harmful contaminants into the category "distinctly low quality." No attempt is made to either identify or measure the contaminants.

Our standards should be more definitive concerning the presence of foreign matter in grain which may be hazardous to health. To accomplish this objective will require, in cooperation with the Agricultural Research Service and the Food and Drug Administration, extensive incidence studies to identify these problem areas. Concurrent with such studies is the need for rapid methodology that can be applied, at the field laboratory level, to identify and quantify contaminants found in grain.

For example, mycotoxins, poisonous weed seeds, and pesticides are three categories of harmful contaminants that need to be provided for in the standards.

--The presence of mycotoxins, a product of mold growing on grain and other commodities, is potentially the most serious quality problem which faces producers, manufacturers, handlers, and consumers of food and feed products. To date, several molds have been found to produce toxic material, such as aflatoxin. When ingested in large doses they may be lethal. In smaller doses, the mold toxin may produce cancer or mutation in humans or animals. FDA has initiated a study of the mold products from 60 other molds, some of which may be equally as toxic as aflatoxin.

--Some weed seeds that are in harvested grain may contain alkaloids that are toxic to man and some animals. A means of identifying and quantifying the poisonous weed seeds should be established in the standards.

--Many of the pesticides, particularly the phosphate type, are acutely toxic when consumed as a contaminant on food or feed. Some of the pesticides are fat soluble and accumulate in the fatty tissue of animals. Eating contaminated animal fats can produce toxic effects, cancer, or mutant changes.

Plan of Work: Since the Agricultural Marketing Service is the Government agency that monitors the quality of grain being inspected, it is our responsibility to pursue these matters. For grain export purposes we assume the FDA role because FDA has no jurisdiction in overseas grain shipments.

We intend to equip a select few of our field offices to test corn for the presence of aflatoxin by a semiquantitative method. The methodology must be extensively field tested since laymen will be entirely in charge of the field testing. Field offices normally do not have chemical laboratory facilities. Chemical tests must be rapid in order to meet marketing needs.

(d) An increase of \$5,000 to develop bleaching methods for determining grain damage.

Need for Increase: During grading, the germ of the grain is examined for soundness. Present analysis consists of scraping the outer seedcoat of the kernel to expose the germ. A bright white to creamy color germ indicates sound grain. The scraping technique is tedious, time consuming, and difficult to standardize.

The proposed bleaching method quickly removes the germ covering. The bleaching method is easy to standardize, improves grading accuracy and uniformity, and reduces inspection time.

Plan of Work: We are presently developing the bleaching method to determine germ damage in grain sorghum. We plan to expand use of the bleaching method to all grains. However, this can only be accomplished on a grain-by-grain basis since the procedure is empirical and requires a visual grading aid, depicting the damage line for each grain. Field testing of the methodology for a particular grain is a prerequisite to official adoption.

(e) An increase of \$12,000 for grain moisture studies.

Need for Increase: Moisture value is perhaps the most important factor in grain grading. It has been determined that moisture discounts applied during a grain marketing year exceeds \$200 million. It is therefore important to both buyers and sellers that moisture values reflect as closely as possible the actual water content in the commodity.

Plan of Work: An electrical moisture meter, the Motomco, was adopted some years ago as the official tester since it met the procedural criteria. Conversion charts, prepared for each grain, are used to convert the Motomco's meter reading into moisture values.

Since grain varieties, climate, and agronomic conditions influence the electrical properties of the harvested grain, several years' data must be accumulated before a satisfactory conversion chart may be adopted.

(f) An increase of \$22,000 to replace visual grain grading aids.

Need for Increase: Graders determine the grade of grain by examining a sample for the presence of material or factors that add to or detract from the quality of the grain. Most of the determinations are based on the graders' training experience, and tools such as visual grading aids that illustrate the line between levels of quality. Such visual grading aids are of major importance in uniform grading on a national scope.

The presently used visual grading aids are prepared from natural material, e.g., actual kernels of grain. These aids are costly, tedious, and timeconsuming to prepare and they deteriorate rapidly.

Visual aids are prepared for many of the grading factors (particularly damage, color, and appearance) that are considered in grading grain. For example, separate visual aids are prepared for germ damage for wheat, rye, corn, oat, barley, grain sorghum, flaxseed, and barley.

Plan of Work: In FY 1975 we plan to prepare or replace 15 (or 50%) of the aids presently used.

(g) An increase of \$21,000 to initiate grade standards for pork cuts.

Need for Increase: Strong public demand for information to help consumers make wise shopping decisions is particularly applicable to the need for uniform and meaningful market identification of meat products for differences in merit at the retail level. USDA quality grades for beef and lamb are widely used for that purpose. However, our present standards for grades of pork identify only carcasses for differences in yields of wholesale cuts--they do not identify cuts for differences that are important to consumers.

A USDA report, "Pork Marketing Report--A Team Study," recommended the implementation of a USDA quality pork grading system to improve consumer acceptance of pork products. Such grades also were recommended at the White House Conference on Food, Nutrition, and Health. In addition, support is beginning to develop among producer groups, farm publications, and a few retailers with the idea that consumer acceptance of pork would be improved through Federal grades that consumers could use to consistently purchase the kind of pork they prefer.

Plan of Work: Emphasis will be given to the development and implementation of consumer grades for pork cuts and other meats.

(3) An increase of \$401,000 for regulatory activities consisting of:

GSA space rental costs	+\$120,000
Annualization of pay cost increases	
effective in FY 1974	+32,000
Expansion of program	+249,000

(a) An increase of \$130,000 for expansion of seed testing standardization.

Need for Increase: State seed laboratories generally look to the Federal seed laboratories for training, referee testing, problem solving, and standardization of testing methods. The present staff and workload prevents AMS from fulfilling this role satisfactorily. Several industry and State seed groups have submitted resolutions in past years urging more activity and adequate funding of a National standardization laboratory. This would require an additional \$130,000 in FY 1975.

This additional money will permit AMS to expand seed testing standardization. Our seed testing standardization laboratory cooperates with national and international groups in establishing and implementing uniform seed testing methods. The laboratory should be but is not (1) providing adequate supervision and training of State and commercial seed technologists, and (2) standardizing new or improved purity and germination tests, tests for vigor and treated seed, and tests for seed-borne diseases.

Plan of Work: With the additional funds we would implement the following:

- Expand supervision and training of State and commercial seed technologists and conduct seed testing workshops to improve the accuracy of purity and germination testing. Our best estimate is that faulty testing by or for seedsmen contributes to false labeling of about 5 percent of the seed marketed.
- Standardize the laboratory methods for determining the variety of seed so that the cost and environmental constraints of field testing can be reduced. Approximately six States are currently doing some variety testing; however, we would standardize the tests, thus reducing the cost so that approximately 75 to 80 percent of the States could perform these tests.
- Improve our present testing methods and develop new tests whenever new pesticide formulations come into use. The Federal Seed Act requires that seed treated with pesticides shall be labeled to indicate that it has been treated, the name of the substance, and an appropriate cautionary statement. It is necessary to test samples for the presence of pesticides and for efficiency of the treatment.
- Standardize methods of testing hermetically sealed containers to fully implement a provision of the Federal Seed Act. Such packaging is becoming increasingly prevalent in the seed industry. The law currently requires that hermetically sealed containers meet certain specifications. However, the methods for checking these containers to see if they meet these specifications have not been standardized.

(b) An increase of \$54,000 for equipment and supplies for the national seed testing laboratory.

Need for Increase: Much of the equipment being used in the seed testing laboratory is either obsolete or nearly worn out and there is a shortage of necessary supplies.

Funds are required for FY 1975 only; consequently, there will be a decrease of \$54,000 in FY 1976.

(c) An increase of \$10,000 for travel in areas of rail abandonment.

Need for Increase: Rural areas are facing an increasing number of problems in the transportation of agricultural products due to increasing numbers of rail abandonments.

Plan of Work: More travel is planned to rural areas to become more actively involved with the people and communities affected by these rail abandonments and to provide assistance in the efforts to retain existing transportation facilities.

(d) An increase of \$55,000 to eliminate the backlog of applications for plant variety protection.

Need for Increase: A total of 361 applications for plant variety protection involving 56 kinds of agricultural, vegetable, and flower seeds were received by the end of Fiscal Year 1973 and 6 certificates were issued.

Before an application can be searched efficiently to determine whether a certificate of protection is warranted, a special descriptive form must be devised for each kind of seed and each known variety description of the kind included in available literature must be transferred to the description form, to a computer card, and stored in a computer. Each application must then be examined for accuracy, completeness, and compliance with the regulations and rules of practice before the descriptive form accompanying the application is officially "searched" by use of the computer to assist the examiner in determining novelty.

By the end of Fiscal Year 1973, 13 of the 56 objective varietal description forms had been developed. Currently, 43 more forms have to be developed in order to complete the crop species for the present 361 applications which have been received. Many of the forms are in various stages of completion and our staff of examiners should complete an additional 24 varietal description forms in Fiscal Year 1974.

Plan of Work: In FY 1975 we will need an additional \$55,000 to update description forms, to issue certificates of protection in a timely fashion, and to handle an expected 100 or more additional applications each year.

(4) A decrease of \$162,000 for administration and coordination of State payments consisting of:

Reduction of pay cost increase	
due to elimination of program ...	-\$12,000
Elimination of program	-150,000

Need for Decrease: Federal funds for administrative expenses are not included for this activity in FY 1975 since program funds are not being requested under the "Payments to States and Possessions" appropriation.

Funds Received from Commodity Credit Corporation
(Warehouse Examination, Cotton Classing, and Tobacco Grading)

	<u>Administrative Expense Limitation</u>	<u>Capital Fund</u>	<u>Total</u>
Available, 1974	\$3,075,000	\$1,928,000	\$5,003,000
Budget Estimate, 1975	<u>3,203,000</u>	<u>1,943,000</u>	<u>5,146,000</u>
Increase	<u>+128,000</u>	<u>+15,000</u>	<u>+143,000</u>

PROJECT STATEMENT

Project	: 1973 : Actual	: 1974 : Estimate	: Increase : or : Decrease	: 1975 : Estimate
Funds from Commodity Credit Corporation:				
Warehouse Examination:				
Administrative Expense Limitation	\$2,763,886	\$3,075,000	+\$128,000(1)	\$3,203,000
Capital Fund	178,500	225,000	--	225,000
Total, Warehouse Examination	2,942,386	3,300,000	+128,000	3,428,000
Cotton classing and tobacco grading	582,554	1,683,000	+15,000(2)	1,698,000
Classing CCC-owned cotton ...	16,866	20,000	--	20,000
Total funds from CCC	3,541,806	5,003,000	+143,000	5,146,000

EXPLANATION OF PROGRAM

Warehouse Examination

The Agricultural Marketing Service administers the CCC warehouse inspection program under a memorandum of understanding with the Agricultural Stabilization and Conservation Service.

The Commodity Credit Corporation, in carrying out its various price support programs, has contracts with approximately six thousand commercial commodity warehouses for the storage and handling of commodities owned by or pledged to CCC for government loans.

AMS is responsible for determining the qualifications of warehouses and warehousemen for CCC contract purposes, and for protecting the government's interest in commodities stored in such warehouses. This is done through original examinations of warehouses and investigations of warehousemen when applications for contracts are filed with CCC, through periodic subsequent examinations of warehouses and the commodities stored therein after CCC enters into a contract, and through continuing review of the warehouseman's operations and financial stability.

Goals are to examine each warehouse at least twice each fiscal year--four times in the case of warehouses storing processed commodities--plus the necessary followup examinations, and to obtain and review a financial statement from each warehouseman at least once each year.

Cotton Classing and Tobacco Grading

The 1952 Department of Agriculture Appropriation Act provided permanent legislation for transfer of funds from the Commodity Credit Corporation to supplement the appropriation for the classing of cotton and grading of tobacco and any other commodity for which the producer does not pay for the service (7 USC 414a).

Classing CCC-owned Cotton

Reimbursements are received for services performed in classing CCC-owned cotton under authority of 31 USC 686.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$128,000 for warehouse examination consisting of:

GSA Space rental costs	+\$98,000
Annualization of pay cost increases	
effective in FY 1974	+30,000

(2) An increase of \$15,000 for cotton classing and tobacco grading consisting of:

Annualization of pay cost increases	
effective in FY 1974	+\$15,000

STATUS OF PROGRAM

Marketing Services

1. Market News

The objective of the Federal-State Market News Service is to help facilitate an orderly and efficient marketing system for agricultural products. This is accomplished through the collection and dissemination of timely information on prices, demand, movement, volume, and quality of most major agricultural commodities produced or sold in the United States.

Market news directly or indirectly helps all segments of the American economy:

- ... It helps producers to decide where and when and at what price to sell.
- ... It assists producers in planning production.
- ... It aids dealers in deciding what prices to offer and where to ship.
- ... It assists the Federal Government in determining price support differentials and price levels for surplus removal and other purchase programs.
- ... It helps develop orderly marketing which provides American consumers with a reliable and reasonably priced supply of foods to meet their daily needs.

Market information is obtained by trained Federal or State reporters who visit trading points at the time of transactions or gather data by telephone. Information collected by these reporters is analyzed and sent immediately over a leased wire network. National information is integrated with local information and released in a form easily understood by the industry and locality served. The information is disseminated by the news media, as well as by mimeographed reports, telephone, tape recorder, and telegraph.

The cornerstone of the market news service is Federal-State cooperation. In 1973, forty-three States were parties to cooperative agreements with the Department; these agreements provide for Federal-State sharing of the costs of market news reporting, with each State's share based for the most part on the relationship between the national and the local significance of the service. The Department works constantly to encourage State participation and to assist the cooperating States in developing and maintaining an effective program.

Selected Examples of Recent Progress and Trends:

A. Market News Activity, by Commodity Group, Fiscal Year 1973:

Commodity Group	: Field Offices	: Buyers and Sellers: Inter-viewed	: Number of Commodities Reported	: Mimeographed: Releases to Growers, Shippers, and Others	: Number on Mailing List	: No. of Federal Reporters	: No. of Markets Covered
Cotton and Cottonseed:							
Year-round .	32						
Seasonal ...	8						
Total	40 <u>a/</u>	2,138	3	812,390	31,019	47	49
Dairy & Poultry Products	32	2,479	83	3,182,352	28,399	33	150
Fruits and Vegetables:							
Year-round .	26						
Seasonal ...	22						
Total	48	6,000	205	6,345,850	76,398	53	183
Grain & related products	27	1,418	35	3,060,156	41,178	13	176
Livestock, meats and wool	45	5,700	4	946,364	15,586	78	250
Naval Stores .	1	90	3	31,478	587	1	1
Tobacco:							
Year-round .	2						
Seasonal ...	7						
Total	9	10	1 <u>b/</u>	912,760	1,945	7	176

a/ Includes 36 (28 permanent and 8 seasonal) integrated market news/classing offices.

b/ Includes 13 types of tobacco.

B. Changes in the Market News Service:

Shifting market patterns and improved technology require continuous review and adjustments of market news activities. While some needed adjustments can be financed by added support from State cooperative agreements, good management also plays an important role in maintaining an efficient market news system. In 1973, increased use was made of telephone tape recorders at various locations, often under industry sponsorship, to reduce dependence on mimeographed reports. Mailing costs were additionally minimized through careful distribution procedures which helped coordinate mailing frequencies with the needs of the users of the reports. Generally mailing frequencies have been reduced in order to control costs, where such action could be taken without material injury to the market news function.

Other important changes made in 1973 include:

1. The base quality used in spot cotton quotations work was changed from "Middling 1 inch" to "Strict Low Middling 1-1/16 inches". Middling 1 inch has amounted to less than one percent of annual U.S. production since 1961, while Strict Low Middling 1-1/16 inches has been the predominant quality produced.
2. Extensive revision has been made in the Dairy Market News formats and reporting instructions of dairy reports to conform with the change from five reports and five-times-a-week mailings to three reports and three-times-a-week mailings.
3. Fruit and Vegetable Market News Reports were expanded at shipper, grower and State Department of Agriculture request. These reports cover such commodities as tomatoes and water-melons in Columbia, S.C., fall lettuce in the San Joaquin Valley, ornamental crops in Riverhead, N.Y., and Chicago, Illinois, and apples in Wisconsin.
4. A weekly report of shipments of grain by barge in the Mississippi Basin was established to provide timely and accurate data concerning grain movements of this type.
5. The trend of decentralization in livestock marketing continued in fiscal year 1973. To meet the change from terminal market sales to auction and direct marketing reporters were shifted to better utilize their time. Federal-State cooperatives also responded to the need for more accurate and timely reports and began reporting additional livestock auction markets. The construction of new meat fabricating facilities and the expansion of existing operations required that reporting on fabricated meats be continued as a high priority item.

C. Federal Cost of Service:

	<u>1973</u>	<u>1974</u> <u>Estimate</u>	<u>1975</u> <u>Estimate</u>
Total Federal cost of service ...	\$9,442,462	\$10,204,000	\$11,158,000
Less reimbursements*	<u>398,467</u>	<u>440,000</u>	<u>448,000</u>
Paid from appropriation.....	9,043,995	9,764,000	10,710,000

*Includes amounts reimbursed to the appropriation in accordance with cooperative agreements. Does not include amounts expended by States and local groups both under cooperative agreements and outside of agreement. In total, States expended approximately \$4 million in 1973, an average of about 30% of the total program costs.

D. Federal-State Cooperation:

States Participating Under Cooperative Agreements in Fiscal Year 1973
by Commodity Group:

State	Dairy and Poultry Products	Fruits and Vegetables	Grain and Feed Products	Livestock Meats and Wool	Tobacco
ALABAMA	x	x	x	x	--
ARIZONA	--	x	--	--	--
ARKANSAS	--	x	x	x	--
CALIFORNIA	x	x	x	x	--
COLORADO	x	x	--	x	--
CONNECTICUT	x	x	--	--	--
DELAWARE	--	x	--	--	--
FLORIDA	x	x	--	x	x
GEORGIA	x	x	--	x	x
HAWAII	x	x	x	x	--
IDAHO	--	x	--	--	--
ILLINOIS	--	--	x	x	--
IOWA	x	--	x	x	--
KENTUCKY	--	x	x	x	x
LOUISIANA	x	x	x	--	--
MAINE	x	x	--	--	--
MARYLAND	x	x	x	x	x
MASSACHUSETTS	x	--	--	--	--
MICHIGAN	x	x	--	x	--
MINNESOTA	x	x	--	--	--
MISSISSIPPI	x	--	x	--	--
MISSOURI	x	--	x	x	--
NEBRASKA	x	--	--	x	--
NEW HAMPSHIRE	x	--	--	--	--
NEW JERSEY	x	x	--	--	--
NEW MEXICO	--	x	--	--	--
NEW YORK	--	x	--	--	--
NORTH CAROLINA	x	x	x	--	x
OHIO	x	--	--	x	--
OKLAHOMA	--	--	--	x	--
OREGON	x	x	--	x	--
PENNSYLVANIA	x	x	--	x	--
RHODE ISLAND	x	x	--	--	--
SOUTH CAROLINA	--	x	x	x	x
TENNESSEE	--	--	--	x	x
TEXAS	x	x	x	x	--
UTAH	x	--	--	x	--
VERMONT	x	--	--	--	--
VIRGINIA	x	x	x	--	x
WASHINGTON	x	x	--	x	--
WEST VIRGINIA	--	x	--	x	x
WISCONSIN	x	x	--	--	--
WYOMING	--	--	--	x	--
TOTAL	30	30	15	25	9

2. Inspection, Grading, Classing, and Standardization

Current Activities: These programs assist in the marketing of agricultural products. This is done by (1) establishing national standards for all major agricultural commodities, which reflect quality and condition; (2) developing equipment and methods by which these standards may best be applied; (3) broadening the use of such standards through demonstrations, training courses, bulletins, and distribution of photographs, copies of standards, etc.; (4) providing an inspection, grading, and classing service based on these standards; and (5) administering and enforcing laws for the continuous inspection of egg products shipped in interstate, intrastate and foreign commerce, and those requiring the use of official U.S. standards for all cotton and cotton linters sold by grade and shipped in interstate and foreign commerce, for grain sold in foreign commerce, and for tobacco sold at designated auction markets.

Selected examples of recent progress and trends:

A. Standardization and related activities:

1. Dairy - Effective January 15, 1973, U.S. standards for grades of Colby Cheese and Monterey (Monterey Jack) Cheese were issued. The successful completion of these standards brings to six the number of major cheese varieties now covered by U.S. grade standards.
2. Fruit and Vegetable - In Fiscal Year 1973, the following U.S. grade standards were revised or amended: pecans, in the shell; fresh apples; Florida grapefruit; Florida oranges and tangelos; Florida tangerines; tomatoes for processing; Christmas trees; sweet anise; plums and prunes; and canned: grapefruit and orange juice, plums, asparagus, sweet cherries, fruit cocktail, fruits for salad, kadota figs, grapes, clingstone peaches, and pears.
3. Livestock - The first official USDA standards for grades of Mohair Top were adopted and became effective January 1, 1973.

4. New and Revised Standards:

	<u>1971</u>	<u>1972</u>	<u>1973</u>
International and U.S. standards in effect, June 30	609	600	612
Number of commodities covered	317	319	322
 New standards issued	3	4	8
New standards in process, June 30	15	8	8
Requests pending for new standards, June 30	21	15	16
 Standards revised	31	23	31
Standards being revised, June 30	35	23	32
Requests pending for revision of standards, June 30	32	25	9

B. Inspection, Grading, and Classing:

1. Cotton Classing - A total of 13.5 million samples were classed during the fiscal year, compared to 11.8 million samples in Fiscal Year 1972. Smith-Doxey classing for farmers accounted for 12.9 million samples, an increase of 3.1 million over last year. Classing for farmers during the 1973 fiscal year represented 97 percent of total ginnings. Classings for CCC sales programs totaled about 0.3 million samples, compared to 0.8 million last year.

The Board of Cotton Linters Examiners classed 1,644 linters samples under the United States Cotton Standards Act.

Licensed cottonseed chemists issued about 72,000 cottonseed grade certificates which represented about 74 percent of cottonseed production. Licenses were issued to 34 cottonseed chemists and 144 cottonseed samplers.

Number of Cotton Classifications and Related Data - 1973-1974:

	Number (Thousands)	
	1973 (Actual)	1974 (Estimated)
<u>Cotton Classifications:</u>		
Statistics and Estimates Act	57	75
Smith-Doxey Amendment	12,921	11,900
Cotton Standards Act:		
Public Classing Service	286	255
Federal Penitentiary (reimbursement) .	14	15
CCC (reimbursement)	--	1
P.L. 480 (reimbursement)	41	37
Cotton Futures Legislation	211	200
Other	17	17
Total, Cotton Classifications	13,547	12,500
<u>Cotton Fiber Tests</u>	496	450
<u>Cotton Linters Classifications:</u>		
Cotton Standards Act	2	2

2. Dairy Products - A total of 2.5 billion pounds of dairy and other food products were inspected and graded during FY 1973. This compares with a volume of 3.0 billion pounds during the previous fiscal year, representing a decrease of 17 percent in the overall volume of products inspected and graded. The reduced workload reflects a 25 percent decrease in CCC purchases under the dairy price support program and less utilization of butter, cheese and nonfat dry milk through donation programs.

Total purchases by CCC under the support program were equivalent to 4.8 billion pounds of milk in the 1972-1973 marketing year as compared to 6.4 billion in 1971-72. Butter purchases were down 16 percent from the previous year, cheese purchases showed a 77 percent decline and nonfat dry milk purchases declined 44 percent.

Donations of dairy products were down sharply from the previous year as a result of reduced Government purchases. Most of the butter and all of the cheese purchased were donated for domestic distribution to school lunches and needy persons. A sharp reduction was noted in the volume of nonfat dry milk donated both at home and abroad.

Inspection and grading on products manufactured in plants having the Resident Program accounted for over 35% of the total volume of gradings performed last year. The breakdown is as follows: 371 million pounds of nonfat dry milk, 335 million pounds of butter, and 160 million pounds of cottage cheese, sterilized milk, dry whey, buttermilk, and ice cream mix. The number of plants using the Resident Program declined by nine this past year making the current total 40.

3. Fruits and Vegetables - The overall volume of fresh products inspected during the year surpassed that of last year by more than one billion pounds. This represents a two percent increase and is the largest volume inspected in a single year. Receiving market inspection volume was up about one and one-half percent from last year. Large markets, chiefly in the Eastern and Central Regions were hard pressed to promptly answer all requests for inspection. Shipping point inspection volume was up about two percent over that of the previous year. All categories of shipping point work showed increases.

The volume of processed fruits and vegetables inspected under in-plant inspection increased approximately three and one-half percent from Fiscal Year 1972. This increase occurred largely in the plants with continuous inspection service, whereas volume under other types of in-plant service actually decreased.

	Canned			Frozen		
	1971	1972	1973	1971	1972	1973
	(million pounds)*			(million pounds)		
Continuous	5,968	5,670	5,911	3,411	3,587	3,832
Other In-Plant	<u>1,113</u>	<u>921</u>	<u>866</u>	<u>372</u>	<u>499</u>	<u>444</u>
Total	7,081	6,591	6,777	3,783	4,086	4,276

*Basis 30 pounds per case.

4. Volume of Grain Inspection and Appeal Activities under the U. S. Grain Standards Act:

	Fiscal Year	
	1973 Actual	1974 Estimated
<u>Inspection Services:</u>		
Million bushels produced	10,400	11,300
Million bushels inspected	9,125	9,000
Number of inspections	3,700,000	3,500,000
Inspections Federally supervised (excluding appeals)	66,000	67,000
Percent of inspections supervised (including appeals)	1.8	1.9
<u>Appeal Services:</u>		
Number of appeals referred	21,050	19,050
Appeals denied or cancelled	50	50
Appeals decided	21,000	19,000
Original grades sustained (percent)	74	80
Appeals carried to Appeals Board ...	92	100
Original grades sustained by Appeals Board (percent)	88	85

5. Meat Quality Grading, Acceptance Work, and Yield Grading - During FY 1973, the tonnage of beef quality graded declined by approximately 1 billion pounds. Causative factors were the extremely difficult winter, price freezes, reduced beef slaughter, and an increasing number of retail chains using ungraded beef. However, there was an increase in the amount of beef yield graded during FY 1973--from 18 to 33 percent of commercial slaughter.

The volume of veal and calf graded continued to decline, despite a revision of the grade standards to more accurately reflect grade differences in the total volume of veal now being marketed. Commercial lamb production and the percentage of lambs graded continued to decrease during the year. The net result was a reduction of approximately 50 million pounds in the volume of veal, calf, and lamb graded.

6. Poultry Products - A total of 825 resident plants received official grading and egg products inspection services at some time during the year. On June 30, 1973, there were 748 different plants which had a total of 823 individual applications in force for the grading of poultry and shell eggs and inspection of egg products. That is a decrease of 24 poultry plants, 14 shell egg plants, and 1 egg products plant from a year ago. The decreases were due mainly to the decision to terminate quality control services in retail stores by the end of FY 1973. The number of mandatory egg products plants remained constant although there was an increase in production shifts and higher volume processed in the large complex drying and breaking plants. Increases are expected in the number of official shell egg and poultry plants requiring grading services next year due to increased compulsory grading demands by cities and institutions as well as the usual consumer demands for higher quality products.

VOLUME OF POULTRY AND EGGS PROCESSED AND GRADED IN
OFFICIAL USDA PLANTS IN FISCAL YEARS 1972-1973

<u>Product</u>	<u>Volume Processed in Official Plants 1/</u>		<u>Volume of Products Inspected and/or Graded/Regraded 3/</u>	
	<u>FY-72</u>	<u>FY-73</u>	<u>FY-72</u>	<u>FY-73</u>
Poultry (excl. turkeys) (mil. lbs. RTC)	8,224	8,344	6,245	6,369
Turkeys (mil. lbs. RTC)	1,691	1,822	1,818	1,820
Rabbits (mil. lbs. RTC)	<u>2/</u>	<u>2/</u>	2	2
Liquid/Frozen Eggs (thou. lbs.)	692,186	613,360	756,542	639,864
Dried Eggs <u>4/</u> (thou. lbs.)	103,244	67,504	103,801	67,718
Shell Eggs (mil. doz.)	2,669	2,621	1,933	1,912

1/ Poultry processed in official plants refers to quantities certified as wholesome, egg products refers to quantities processed under continuous inspection by USDA, and shell eggs refers to eggs handled in plants under the voluntary grading program.

2/ Less than 3 plants reporting.

3/ Includes product regraded in plants and terminal markets.

4/ Includes reconstituted product.

7. Volume of Tobacco Inspected by Class, Fiscal Year 1973 and Estimated 1974

	Number of Auction Markets Designated and Inspected	Sets of Buyers	Quantity Inspected and Sold (Thousand Pounds)
<u>Auction Markets:</u>			
Flue-cured	94	145	1,047,704
Fire-cured	8	8	36,240
Dark air-cured	9	5	16,045
Burley	61	71	624,023
Maryland	4	5	27,831
Total Auction Markets	176	234	1,751,843
<u>Cooperative Marketing Associations:</u>			
Auction types	---	---	51,111
Non-auction types ...	---	---	6,995
Total Cooperative Marketing Associations	---	---	58,106
Total, 1973	176	234	1,809,949
Estimated 1974 (auction markets only)	176	234	1,816,000

8. Commodities Inspected and Graded on a Fee Basis (Agricultural Marketing Act)
Fiscal Years 1973-1974

	(in million pounds)	
	1973	1974 (est.)
<u>Fresh fruits and vegetables:</u>		
Receiving markets	4,131	4,366
Shipping points	56,089	58,842
<u>Processed fruits and vegetables:</u>		
Canned	7,502	8,000
Frozen, dried and other	5,393	5,750
<u>Dairy products:</u>		
Butter, cheese, milk, etc.	2,448	2,075
<u>Poultry products:</u>		
Shell eggs (million dozen)	1,912	1,990
Processed eggs	708	871
Poultry	8,191	8,533
<u>Grain and related products:</u>		
Rice, beans, peas	10,631	11,100
Hops	52	55
Hay and straw	2	2
Miscellaneous commodities	3,307	3,000
<u>Meat and meat products graded:</u>		
Beef	20,338	22,556
Veal and Calf	33	24
Lamb and Mutton	390	369
Miscellaneous	547	494
Total, meat and meat products	21,308	23,443
<u>Cotton Micronaire</u>	360	330
<u>Naval Stores:</u>		
Rosin	23	21
Turpentine	4	3

9. Revision in Fees and Charges in Fiscal Year 1973 and
Fiscal Year 1974
(Through December 31, 1973)

Commodity and Service	Action on Fees	Effective
<u>Dairy:</u>		
Inspection and grading performed on an hourly basis	Increased from \$10.60 to \$12.00 per hour, 6:00 a.m. to 6:00 p.m. and from \$11.60 to \$13.20 from 6:00 p.m. to 6:00 a.m.	2/18/73
	Non resident grader fees increased from \$10.60 plus expenses to \$14.20 per hour 6:00 a.m. to 6:00 p.m., and from \$11.60 plus expenses to \$15.40 per hour from 6:00 p.m. to 6:00 a.m.	2/18/73
Laboratory services on an hourly basis	Fees increased from \$11.60 to \$13.00 per hour.	2/18/73
<u>Fruit and Vegetable:</u>		
Citrus inspection (under agreement with the State of Florida) per case	Decreased from \$.0088 to \$.0073.	10/2/72
	Increased from \$.0073 to \$.0110	10/1/73
Inspection of olives (under Federal Marketing Order) per case	Increased from \$.035 to \$.039.	9/1/72
	Decreased from \$.039 to \$.025	9/1/73
Inspection of dates (under Federal Marketing Order) per cwt.	Increased from \$.26 to \$.27.	10/1/72
	Increased from \$.27 to \$.28.	10/1/73
Inspection of raisins (under Federal Marketing Order) per ton	Increased from \$2.05 to \$3.25.	9/1/72
	Decreased from \$3.25 to \$2.75.	9/1/73
In-plant inspection:		
(a) Seasonal	Increased from \$14.00, \$9.90, \$5.00 to \$15.00, \$11.00, \$5.30.	4/1/73

Commodity and Service	Action on Fees	Effective
	Increased from \$15.00, \$11.00, \$5.30 to \$15.70, \$11.50, \$5.55.	11/11/73
(b) Year-round	Increased from \$9.10, \$6.60, \$5.00, \$9.90, \$7.25 to \$9.65, \$7.00, \$5.30, \$10.50, \$7.70.	4/1/73
	Increased from \$9.65, \$7.00, \$5.30, \$10.50, \$7.70 to \$10.10, \$7.35, \$5.55, \$11.00, \$8.10.	11/11/73
Lot inspection (unit rates)	Changed from a sliding scale based on volume inspected to \$11.20 per hour.	7/23/72
	\$11.20 to \$12.00 per hour	2/4/73
	\$12.00 to \$12.60 per hour	11/11/73
Lot inspection (hourly rate)	\$10.00 to \$11.20 per hour	7/23/72
	\$11.20 to \$12.00 per hour	2/4/73
	\$12.00 to \$12.60 per hour	11/11/73
Quality and Condition Inspection (Fresh Inspection on a carlot basis)	\$19.00 to \$20.00 on 1/2 to: 1 carlot.	2/4/73
	\$20.00 to \$21.00 on 1/2 to: 1 carlot.	11/11/73
	\$16.00 to \$17.00 on 1/2 carlot or less.	2/4/73
	\$17.00 to \$18.00 on 1/2 carlot or less.	11/11/73
	\$38.00 to \$40.00 on multi- product carlot.	2/4/73
	\$40.00 to \$42.00 on multi- product carlot.	11/11/73
Condition Inspection (Fresh Inspection on a carlot basis)	\$16.00 to \$17.00 on 1/2 to: 1 carlot.	2/4/73
	\$17.00 to \$18.00 on 1/2 to: 1 carlot.	11/11/73
	\$14.00 to \$15.00 on 1/2 carlot or less.	2/4/73

Commodity and Service	Action on Fees	Effective
	\$15.00 to \$16.00 on 1/2 carlot or less.	11/11/73
	\$32.00 to \$34.00 on multi-product carlot.	2/4/73
	\$34.00 to \$36.00 on multi-product carlot.	11/11/73
Hourly Rate (Fresh Inspection)	\$9.00 to \$10.00 per hour.	2/4/73
	\$10.00 to \$11.00 per hour.	11/11/73
<u>Grain:</u>		
Inspection and grading of rice, hay, beans, peas, hops, seeds, and miscellaneous agricultural commodities:		
(a) Commodities other than rice (Hourly rates)	Increased from \$8.80 to \$10.12 per hour.	7/3/72
	\$10.12 to \$11.20 per hour	4/29/73
(b) Rice Inspection (Hourly rate)	\$12.00 to \$14.40 per hour	4/29/73
(c) Inspection of rough, brown, and milled rice	Increased an average of 20%	4/29/73
	Increased an average of 30%.	12/9/73
Inspection of certain Agricultural and Vegetable Seeds for Quality ...	\$9.60 to \$11.00 per hour	7/1/72
<u>Livestock:</u>		
Meat Grading Service:		
Monday through Friday between 6:00 a.m. and 6:00 p.m.	\$12.40 to \$13.00 per hour.	2/4/73
	\$13.00 to \$13.80 per hour.	11/18/73
Saturday, Sunday, and Monday through Friday between 6:00 p.m. and 6:00 a.m.	\$14.60 to \$15.20 per hour.	2/4/73
	\$15.20 to \$16.00 per hour	11/18/73
Legal Holidays	\$24.80 to \$26.00 per hour	2/4/73
	\$26.00 to \$27.60 per hour	11/18/73
Laboratory Fees (Hourly rate) ...	Increased an average of 5.5%	10/1/73

Fiscal Year	1973
-------------	------

64,461,299	: 2,671,473	: 40,377,969	: 43,049,442	: 21,411,857	: 1,064,412	: 20,347,445	: 31.6
Total							
68,444,444	: 2,671,473	: 40,377,969	: 43,049,442	: 21,411,857	: 1,064,412	: 20,347,445	: 31.6
Total							

2/ Reimbursement to the U. S. Grain Standards Act Fund.



UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Estimated Obligations for Inspection, Grading, Classing and Standardization
and Cost of Program to Taxpayer, by Work Project
Fiscal Year 1974

Budget Project	Total Program Obligations	Paid from Revenue Earned		Paid From Appropriation	Income to General Revenue Fund of Treasury	Net Cost to Taxpayer	Percent of Total Cost Charged to : Covered by Taxpayer : Revenue	
		Reimbursed to Trust Funds	Total					
				INSPECTION, GRADING, AND CLASSING				
Cotton	8,623,000	1,235,000	87,000	7,301,000	1,021,000 1/	6,280,000	72.8	27.2
Dairy Products	3,733,000	---	3,733,000	---	---	---	---	100.0
Egg Inspection	6,808,000	359,000	---	6,449,000	---	6,449,000	94.7	5.3
Fruits and Vegetables	16,780,000	---	16,234,000	546,000	---	546,000	3.3	96.7
Grain	4,554,000	1,812,000	---	2,742,000	---	2,742,000	60.2	39.8
Livestock	10,675,000	---	10,675,000	---	---	---	---	100.0
Naval Stores	35,000	---	4,000	31,000	---	31,000	88.6	11.4
Poultry Products	9,593,000	---	9,358,000	235,000	---	235,000	2.4	97.6
Rice, Hay, Beans, etc.	4,710,000	---	4,710,000	---	---	---	---	100.0
Tobacco	5,682,000	1,090,000	---	4,592,000	---	---	---	19.2
Total	71,193,000	4,496,000	44,801,000	21,896,000	1,021,000	20,875,000	29.3	70.7
				STANDARDIZATION				
Cotton	469,000	---	---	469,000	---	425,000	90.6	9.4
Dairy Products	110,000	---	---	110,000	---	110,000	100.0	---
Fruits and Vegetables	597,000	---	25,000	572,000	---	572,000	95.8	4.2
Grain	187,000	---	---	187,000	---	187,000	100.0	---
Livestock	330,000	---	---	330,000	---	330,000	100.0	---
Naval Stores	21,000	---	---	21,000	---	21,000	100.0	---
Poultry Products	112,000	---	---	112,000	---	112,000	100.0	---
Rice, Hay, Beans, etc.	83,000	---	---	83,000	---	83,000	100.0	---
Tobacco	104,000	---	---	104,000	---	104,000	100.0	---
Total	2,013,000	---	25,000	1,988,000	44,000	1,944,000	96.6	3.4
				TOTAL, INSPECTION, GRADING, CLASSING, AND STANDARDIZATION				
Cotton	9,092,000	1,235,000	87,000	7,770,000	1,065,000 1/	6,705,000	73.7	26.3
Dairy Products	3,843,000	---	3,733,000	110,000	---	110,000	2.9	97.1
Egg Inspection	6,808,000	359,000	---	6,449,000	---	6,449,000	94.7	5.3
Fruits and Vegetables	17,377,000	---	16,259,000	1,118,000	---	1,118,000	6.4	93.6
Grain	4,741,000	1,812,000	---	2,929,000	---	2,929,000	61.8	38.2
Livestock	11,005,000	---	10,675,000	330,000	---	330,000	3.0	97.0
Naval Stores	56,000	---	4,000	52,000	---	52,000	92.9	7.1
Poultry Products	9,705,000	---	9,358,000	347,000	---	347,000	3.6	96.4
Rice, Hay, Beans, etc.	4,793,000	---	4,710,000	83,000	---	83,000	1.7	98.3
Tobacco	5,786,000	1,090,000	---	4,696,000	---	4,696,000	81.2	18.8
Total	73,206,000	4,496,000	44,826,000	23,884,000	1,065,000	22,819,000	31.2	68.8

1/ An estimated 5,700 bales of loose cotton valued at \$1,425,000 will be used by the Federal Penitentiary at Atlanta, Georgia. If sold on the open market, the net cost to the taxpayer of the cotton classing program would be reduced.

3. Regulatory Activities

Current Activities: Several marketing regulatory laws are administered by AMS. These include Section 201 of the Agricultural Adjustment Act of 1938, the Federal Seed, U.S. Warehouse, Export Apple and Pear, Export Grape and Plum, Tobacco Seed and Plant Exportation, Naval Stores, Agricultural Fair Practices, Plant Variety Protection, Cotton Research and Promotion, and Wheat Research and Promotion Acts. These laws regulate various marketing activities and the administration of each includes one or more of the following: (1) licensing or registration; (2) supervising operations of licensees or registrants; (3) collecting and testing samples; (4) ascertaining the reasonableness of rates and charges; (5) suspension or revocation of licenses or registrations; (6) determination of adequacy of bond coverage; (7) audits of books and records; (8) investigating complaints and violations; (9) settling disputes; (10) handling of violations; (11) assistance to producers in obtaining and maintaining equitable and reasonable transportation rates and services for farm products and supplies; (12) legal protection to developers of new varieties of plants which reproduce sexually; and (13) surveillance of activities conducted in accordance with the provisions of the Cotton and Wheat Research and Promotion Acts.

Examples of Recent Progress and Trends:

A. Federal Seed Act

This law applies to agricultural and vegetable seeds moving in interstate and foreign commerce. It requires truthful labeling, prohibits false advertising, restricts the distribution of noxious-weed seeds, and establishes germination standards for vegetable seed moving in interstate commerce. Under memoranda of agreement with all States, State seed inspectors cooperate in the enforcement of this Act. The U.S. Customs Service cooperates with AMS to enforce provisions of the Act relating to imported seed.

1. Interstate Enforcement. In Fiscal Year 1973, 1,071 complaints of violations of the interstate provisions of the Federal Seed Act were received--25 less than in the previous fiscal year. Apparent violations of the Act were reported by 37 States, two more than in 1972. However, the number of prosecutions recommended increased considerably, from 29 in 1972 to 109 in 1973. The number of prosecutions initiated in court doubled from 16 to 32 in 1973. About 530 State seed inspectors are authorized to inspect seed subject to the Act.

A summary of interstate enforcement activities is shown in the following table.

Interstate Activity	Fiscal Year		
	1972	1973	1974 Est.
<u>Cases for Investigation:</u>	:	:	:
Total to be investigated	1,767	2,086	2,200
Investigations completed	752	688	1,000
Pending at end of year	1,015	1,398	1,200
<u>Administrative Actions:</u>	:	:	:
No action warranted	221	135	150
Warnings issued	434	432	550
Cited for hearings	211	121	300
Seizures recommended (complaints)	0	9	5
Prosecutions recommended (complaints)	29	109	150
<u>Court Actions:</u>	:	:	:
Prosecutions initiated (court cases)	16	32	35
Prosecutions pending at end of year	21	31	40
Seizure actions terminated	0	0	10
Seizure actions pending at end of year	0	8	0

Factors involved in reported violations during the past 3 years are shown in the following table:

Factor	Percent		
	1971	1972	1973
Germination	32	33	29
Noxious-weed seeds	21	34	19
Purity	17	18	16
Treatment	2	1	1
Variety	6	6	14
Advertising	2	1	2
Not labeled	1	9	1
Miscellaneous (incomplete labeling, misleading statements, etc.)	19	8	18

2. Import Enforcement. Importations of agricultural and vegetable seeds from 34 countries amounted to 65 million pounds, valued at \$18 million in Fiscal Year 1973. This is 19 percent below the previous fiscal year's volume.

Of the 6,892 lots of seed offered for importation 422 lots were refused admission based on preliminary tests. Assorted dispositions were made of these lots and finally 6,833 lots were admitted.

Import work is shown in the following table:

Activity	Fiscal Year		
	1972	1973	1974 Est.
Total import actions ^{1/}	6,728	7,288	7,500
Lots offered for import	6,482	6,892	7,200
Lots permitted entry	6,400	6,833	7,200
Lots denied entry	82	301	200
Kinds of seed imported	136	145	140
Pounds of seed imported (millions)	80	65	100

^{1/} Includes action taken on lots rejected once and acted on again after cleaning, etc.

3. Seed Testing. The volume of testing done on both foreign and domestic seed is shown in the following table:

Activity	Fiscal Year		
	1972	1973	1974 Est.
Seed samples tested in connection with:			
Imports	6,846	7,299	7,800
Interstate shipments	1,901	1,765	1,800
Standardization	2,008	1,464	1,500
Service testing	884	923	1,000

B. Naval Stores and Tobacco Export Permits

1. Naval Stores Act (Regulatory Provisions):

The regulatory aspect of this law protects users, particularly at the retail level, against adulteration of naval stores, misleading labeling, and short weight. Samples of turpentine and related products moving in interstate commerce are tested and the labels examined to assure their accuracy.

Regulatory activities in connection with Naval Stores have been reduced to a minimum level because of the rapidly decreasing significance of turpentine in small containers for retail sale, and the lack of discovery of significant violations in recent years. A testing operation was maintained for analysis and testing of a limited number of samples of turpentine.

2. Tobacco Seed and Plant Exportation Act:

This law prohibits the exportation of domestic tobacco seed and live tobacco plants from the U.S. except for experimental purposes. In Fiscal Year 1973, 50 certificates were issued for the export of tobacco seed to be used for experimental purposes.

C. U.S. Warehouse Act

The primary objectives of this law are to (1) protect producers and others, including the Commodity Credit Corporation, who store their property in public warehouses; (2) assure the integrity of warehouse receipts as documents of title to be used as collateral for loans, and to facilitate trading in interstate commerce of agricultural commodities; and (3) set and maintain a standard for sound warehouse operations.

Under the provisions of the U.S. Warehouse Act, the Agricultural Marketing Service licenses and bonds public warehousemen storing agricultural products; licenses weighers, graders and samplers of such products; and supervises the operations of those licensed to assure compliance with the Act.

Applications for licenses are filed by warehousemen on a voluntary basis. Before licensing, the applicant's storage facilities and operations are examined to determine that they qualify for licensing under the terms of the Act and regulations. After the initial license is issued, the Act provides for periodic examinations of (1) the financial condition of the licensee, (2) the adequacy of warehouse records, and (3) the condition and contents of the warehouse. The licensee is authorized to issue Federal warehouse receipts for products deposited for storage. These receipts represent the stored products, and are vital instruments in the marketing and financing of the products--the aggregate value of which may be \$3 billion or more at any one time.

1. Licensing Activity. Licensing activity decreased during Fiscal Year 1973 with 98 new licenses and 387 amended licenses issued. The total of 485 such actions is 78 less than the volume of the preceding year. During the year, 111 licenses were terminated and 6 suspended. Two suspensions were subsequently lifted.

Licensed storage capacity for cotton decreased from 13,507,000 bales to 13,232,000 bales. Licensed grain capacity, however, increased from 1,881 million bushels to 1,931 million bushels. Approximately 40 percent of the Nation's commercial grain storage capacity and 62 percent of the commercial cotton storage capacity are now licensed.

The following table illustrates the trend in the total number of licenses, and capacity of licensed cotton and grain warehouses:

	: As of June 30		
	: 1972	: 1973	: 1974 Est.
	:	:	:
Total number of licenses	: 1,748	: 1,734	: 1,789
Capacity: Cotton (million bales)	: 13.5	: 13.2	: 13.3
Grain (million bushels)	: 1,881	: 1,931	: 1,978

2. Supervisory Examination Activity. Licensed warehouses were examined at a rate of 2.11 examinations per year per cotton warehouse (2.83 in 1972), and 1.92 examinations per grain warehouse (1.84 in 1972). Total supervisory examinations were 3,367 in 1973, or 164 less than in 1972.

The following tables reflect the warehouse examination workload:

	Fiscal Year		
	1972	1973	1974 Est.
<u>Cotton</u>			
Examiner man-years	15.0	13.2	12.3
Licensed capacity as of June 30			
(thousand bales)	13,507	13,232	13,347
Percentage of average occupancy to			
total capacity	13.9	14.6	15.3
<u>Grain</u>			
Examiner man-years	47.1	47.6	48.6
Licensed capacity as of June 30			
(million bushels)	1,881	1,931	1,978
Workload per man-year (million bushels) ..	39.9	40.6	40.7

D. Transportation Services

This program aids farmers and shippers of agricultural commodities to secure efficient and economical transportation rates and services for farm products moving to storage, processing plants, and to markets. It also assists farmers with transportation problems concerning the movement of farm supplies to production areas.

Transportation charges accounted for 7 to 9 percent of the total cost of transporting, processing and distribution of farm food products from 1960-1970.

Faced with rising costs the various motor carrier bureaus have been successful in obtaining permission to raise their rates and charges during fiscal year 1973 by amounts ranging from 2 to 7 percent.

Of concern to agricultural shippers are the railroad mergers which bring about systems that result in elimination of duplicate service between major terminals. This situation has prompted the carriers to seek abandonment of large segments of mainline trackage and low-revenue producing branch lines. It has been estimated that there are 21,000 miles of rail line which should be abandoned. Many of these lines are in rural areas. The Department is seeking solutions that would retain the essential transportation services for rural areas served by railroads.

An additional concern to the transportation industry during fiscal year 1973 was an unprecedented demand, due primarily to expanded export and domestic grain sales. This situation hampered the timely movement of many agricultural products and farming supplies causing critical problems. This situation is expected to continue through fiscal years 1974 and 1975 and may become more difficult due to the fuel shortage.

1. Action on Rate and Service Adjustments before Carrier Bureaus. During 1973, notices were received of 11,800 proposed rate adjustments on agricultural commodities and farm supplies. A total of 33 actions were taken with carrier rate making bureaus. Following are some of the significant actions taken:

- a. USDA supported railroad proposals to reduce rail rates on export cotton moving to Canada from California and southwestern cotton producing areas. The carriers have approved a 6 percent reduction and the reduced rates have been approved by the Interstate Commerce Commission. These rates will make the U.S. more competitive with other cotton-producing nations for Canadian requirements and should save the cotton industry approximately \$200,000 annually.
 - b. USDA was successful in persuading three of four major rail carrier freight bureaus to add scrambled egg mix, distributed through the Department's needy family food program, to the food stuff list in numerous railroad freight tariffs; consequently reducing the transportation charges to USDA.
2. Action on Rate and Service Adjustments before Regulatory Agencies. In 1973 the Department received notices of 2,010 actions involving proceedings before regulatory agencies. A total of 48 actions were taken before these regulatory agencies. Some of the major cases in which the Department participated are the following:
- a. Opposed a 6 percent increase of railroad rates on potash, nationwide. The ICC approved an increase of 3 percent. The savings accruing to farmers as a result of this ruling will amount to approximately \$2.9 million annually.
 - b. Opposed a 40 percent increase of railroad charges for stopping cars in transit in Southern Territory. The ICC ruled that the carriers had only justified an increase of 5 percent. This decision, reducing the proposed increase by 35%, coupled with the successful opposition to a new rule to reduce free time on stop-off cars in the South, will save the Department at least \$750,000 annually.
 - c. Supported a suspension of increased rail rates on packaged grain and grain products. The suspended rates were 3 cents per hundred-weight over the present rates. USDA filed a statement of facts and argument and the railroads subsequently withdrew the publication of the higher rates. CCC alone has saved over \$600,000 since the rate suspension on its flour and cereal food export programs.

E. Export Fruits Acts

This project includes administration of the Export Apple and Pear Act of 1933 and the Export Grape and Plum Act of 1960. Both laws were enacted to promote foreign trade of these U.S.-grown fruits. These laws protect the reputation of American-grown apples, pears, grapes and plums in foreign markets, prevent deception or misrepresentation as to the quality of such products, and provide for commercial inspection of them. During Fiscal Year 1973, 40 carriers' offices were visited. Eighty-one exporters and 581 lots of fruit were involved. The Acts and regulations were explained to carrier personnel, and files were checked for compliance.

Effective September 10, 1972, regulations under the Export Grape and Plum Act were amended to establish U.S. Fancy Export as the minimum grade for export shipments of Emperor grapes in sawdust packs. The amendment was necessary as the previous minimum grade requirement for grapes packed in sawdust was set under the U.S. Standards for Sawdust Pack Grapes which were terminated on May 1, 1972.

F. Cotton Research and Promotion Act

The Cotton Research and Promotion Act was enacted on July 13, 1966, "to enable cotton growers to establish, finance, and carry out a coordinated program of research and promotion to improve the competitive position of, and to expand markets for, cotton." The Act, and the Secretary of Agriculture's order issued pursuant to the Act, provide for a producer assessment of \$1 on each bale of upland cotton to carry out a program of research and promotion for cotton.

Continuing surveillance of the program is made by the Department to insure that operations are carried out in accordance with the Act and Order.

During the year three cotton handlers were found to be in violation of Cotton Board Rules and Regulations by U.S. District Courts and in each case civil penalties were assessed. Mandatory injunctions also were issued against future violations.

Through June 30, 1973 the Cotton Board had collected \$1 per bale assessments on 12,953,000 bales of upland cotton from the 1972-73 crop. This is equivalent to 98.3 percent of total upland ginnings. Additional collections on 1972 ginnings are expected to bring final collections close to 99.3 percent.

Refunds were made to producers on 1,624,000 bales of 1972-73 upland cotton. This is about 12.5 percent of collections through June 30, 1973. Refunds on 1971-72 crop cotton were equivalent to 10.5 percent of collections.

G. Plant Variety Protection Act

The Plant Variety Protection Act was passed December 24, 1970. Its purpose is to encourage the development of novel varieties of sexually reproduced plants and to make them available to the public, providing protection to those who breed, develop or discover them.

A Plant Variety Protection Office has been established in the Agricultural Marketing Service to administer the provisions of the Act. This Office issues certificates of plant variety protection to developers of novel varieties of sexually reproduced plants, providing them with exclusive rights to sell, reproduce, import or export such varieties, or use them in the production of hybrids or different varieties for a period of 17 years.

A total of 102 applications for plant variety protection involving 27 kinds of agricultural, vegetable, and flower seeds were received during fiscal year 1973. Six lettuce applications were processed and the certificates issued on April 16, 1973. These were the first certificates issued under the Act.

H. Federal Cost of Regulatory Activities:

	<u>1973</u>	<u>1974 Est.</u>
Total cost of activity	\$2,877,637	\$3,164,000
Less reimbursements	<u>2,364</u>	<u>2,000</u>
Paid from appropriation	2,875,273	3,162,000
Less income to General Revenue Fund of the Treasury	<u>171,603</u>	<u>172,000</u>
Net cost to taxpayer	2,703,670	2,990,000
Percent of total cost charged to taxpayer	94.0	94.5
Percent of total cost covered by revenue	6.0	5.5

4. Administration and Coordination of State Payments

Current Activities: Federal assistance is provided to the Federal-State Marketing Improvement Programs carried on by States and financed, in part, by Federal funds appropriated under the item "Payments to States and Possessions."

The principal Federal responsibilities in this program are to assist each cooperating State to develop and direct its programs; to analyze and evaluate projects submitted by the States; to approve those projects which have the greatest merit and need and which supplement the whole Federal-State marketing program; and to conduct periodic examinations and re-evaluations of the State programs to insure effective use of the matched funds paid to States. Information on the application of research results and on best known techniques from other States, USDA programs and industry is furnished to each State as it becomes available. The projects--all in the field of marketing service--fall into four major categories: (1) improved marketability of agricultural products, (2) domestic and international commodity market development, (3) economic and physical efficiency of marketing, and (4) improved marketing information.

During 1973, Federal-State Marketing Improvement work was conducted under 130 projects adapted to individual State and local marketing problems in 45 States. This compares with 143 projects in 46 States in 1972.

Members of the Staff visited 25 States cooperating in the program in order to (1) assess the progress being made; (2) assist with operating problems; (3) make known improvements developed in other States; and (4) examine financial accounts pertaining to the program to ascertain whether expenditures of matching funds were made for approved project activities and in accordance with legal restrictions.

(b) Payments to States and Possessions

Appropriation Act, 1974	\$1,600,000
Budget Estimate, 1975	--
Decrease	<u>-1,600,000</u>

PROJECT STATEMENT

Project	: 1973	: 1974	: Increase	:	: 1975
	: Actual	: Estimate	: or	:	: Estimate
			: Decrease	:	
Payments for marketing service	:	:	:	:	:
work under Section 204(b) of	:	:	:	:	:
the Agricultural Marketing	:	:	:	:	:
Act of 1946	:\$1,600,000	:\$1,600,000	:-\$1,600,000 (1)	:	--
Unobligated balance	900,000	--	--	:	--
Total Appropriation	2,500,000	1,600,000	-1,600,000	:	--

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$1,600,000 for Payments to States and Possessions consisting of:

Elimination of program -\$1,600,000

Need for Decrease: This appropriation has been used to assist States in developing the capability to perform their own agricultural marketing service programs. Federal funds have been provided to States on a temporary basis to pay up to half the costs of pilot-testing special service projects to help solve local marketing problems. The program has been underway since 1948, and during that period of time those State Departments of Agriculture so inclined have been able to build a good capability to respond to marketing service needs. State marketing appropriations have gradually built up over the years and the relative importance of the Federal funds under this program has gradually diminished. Currently, States are overmatching Federal appropriations for the program by approximately \$2.3 million to \$1.6 million, in addition to other marketing service work carried on with full State funding. Since program benefits accrue primarily to individual States, the States are expected to develop and execute their marketing programs.

STATUS OF PROGRAM

Current Activities: The Federal-State Marketing Improvement Program is administered by a staff office of the Agricultural Marketing Service. Financial assistance in FY 1973 was provided to 45 States to partially fund 130 marketing service projects. Federal payments, authorized by Section 204(b) of the Agricultural Marketing Act of 1946, are made under cooperative agreements between the U. S. Department of Agriculture and State Departments of Agriculture, and similar State agencies. These agreements provide for eligible marketing service activities on a matching fund basis. The States contribute at least half of the cost and perform the work with State personnel. Work under this program is divided into four major activities:

1. Improved marketability of agricultural products. Projects in this category include: (1) determining and correcting causes of off-quality products in the marketing channel; (2) giving assistance to processors and marketing agencies on methods of preventing deterioration of products during processing, in transit and in storage; (3) determining preferences of mass merchandisers, institutions, and other major buyers in domestic markets as to package type and size, product quality, and price levels; and (4) providing technical assistance and information to marketing agencies, processors, commodity groups, and farm organizations on the quality, packaging, and other trade requirements of international markets.
2. Agricultural commodity market development. This work area includes: (1) programs designed to assist individual agricultural commodity groups in planning their international advertising and merchandising programs, determining the effectiveness of these programs, and developing needed improvements; and (2) participating in international market development activities in cooperation with Foreign Agricultural Service.
3. Economic and physical efficiency of agricultural marketing. Projects under this activity are concerned with: (1) helping producer groups, marketing agencies and firms to determine the feasibility of and need for new or expanded food or fiber marketing and processing facilities, and where feasibility is established assist these groups in determining the proper size, type, location and layout of such facilities and in obtaining financing for their construction; (2) obtaining reduced freight rates and improved transportation services for farm products; and (3) helping to develop more effective inspection, regulatory and consumer protection programs for farm products by studying the effectiveness and efficiencies of current State programs and recommending needed program redirection.
4. Improved marketing information. Projects under this activity include: (1) collecting, tabulating and disseminating to producers and marketers statistical information on production trends for selected farm products; (2) providing special information on fresh fruits and vegetables by local area on maturity, probable dates of harvest, quality and market movements and trends; (3) preparing and issuing buyers' guides for various fresh and processed farm products; and (4) surveying the need for conducting pilot market news programs.

Examples of Recent Progress and Trends:

- a. Florida conducted a survey to determine the packaging needs of food distribution companies having 25 or more retail outlets, and information developed from the questionnaires was issued in a booklet entitled "Packaging of Florida Product-What Merchandisers Want." The booklet serves to provide guidance to Florida shippers in developing improvements in their packaging and shipping procedures.

Examples of Recent Progress and Trends (Cont'd)

- b. North Carolina specialists provided assistance and information relative to quality maintenance throughout the marketing channel for grain, livestock, tobacco, horticulture crops, poultry and eggs. Using group meetings, demonstrations, on-the-spot contacts, public media, and technical assistance from other agencies when needed, the project emphasized sorting, grading, handling, processing, packaging, and storing procedures and systems to prevent quality loss in the marketing process.
- c. Twenty-one States conducted projects to expand exports of farm products. Activities included: (1) providing assistance and information to producers, processors, and marketing agencies on quality, packaging, and trade requirements of foreign markets in cooperation with Federal agencies; (2) participating in international trade shows; (3) distributing trade inquiries to supplies; and (4) compiling and issuing export directories listing names and addresses of suppliers of agricultural commodities, type of package provided, institutional or retail.
- d. A Wisconsin project supported cheese promotional programs by conducting surveys aimed at cheese distributors, suppliers, retail chains, wholesalers, brokers, and consumers to determine the effectiveness of specific promotional activities. The surveys were analyzed and reports of the findings were presented to promotional groups with recommendations as to the specific promotion efforts that appear to have the greatest effect in influencing product movement.
- e. Several States, including Kansas, North Carolina, New Jersey, South Carolina, and New York, provided technical assistance to producer groups, marketing agencies and firms in determining the feasibility of and need for new or expanded marketing and processing facilities. These projects also provided technical assistance in facility planning, layout, and equipment selection.
- f. Michigan conducted a transportation project to assist shippers and receivers in developing the most efficient and economical way of getting farm products to the marketplace. For example, the transportation specialist, at the request of the Michigan Apple Committee, working with officials of railroad and food companies, helped bring about significantly reduced rail rates on fresh apples from Michigan points to Delta, Colorado, resulting in 64 carloads being shipped from Michigan to a processor in Delta, Colorado, a new market for Michigan apples.
- g. Eight States conducted projects to assist operators of roadside markets. This assistance consisted of advising existing operators and potential operators on maintaining product quality and freshness; site selection, market design and layout; advertising and promotion; training of sales personnel; handling, packaging, and storage of various products; and organizing for group action. In Indiana, for example, help was provided the Indiana Farm Market marketers to form an organization to buy for interested markets various supplies and items for resale at reduced costs and enhance the public image of member markets.
- h. Corn harvesting, handling, and drying methods surveys made in the late fall of 1972 by Illinois, Minnesota, and Wisconsin assumed a new importance early in 1973. The published results of the survey (combined with similar survey results from Indiana and Iowa) provided information by crop reporting districts as to the harvesting, storing, drying, and marketing practices followed by farmers. Data from the corn harvesting surveys have been helpful in identifying the problem areas and estimating storage needs and fuel requirements for the 1973 crops.
- i. A number of States under the marketing improvement program prepared and issued buyers' guides. While the format and content of the various guides differed in individual States, essentially the guides consisted of a listing of products available, their location, harvest dates, volume available, and type and variety of product for sale.

State Participation by Field of Work

Field of Work	1973			1974 Estimated		
	No. of	No. of	Payments	No. of	No. of	Payments
	States	Projects		States	Projects	
1. Improved Marketability of Agricultural Products	29	34	\$484,088	25	31	\$484,224
2. Domestic and International Agricultural Commodity Market Development	27	27	408,735	24	26	257,912
3. Economic and Physical efficiency of Marketing	26	31	343,656	26	33	429,546
4. Improved Marketing Information	29	43	363,521	26	38	362,250
Undistributed						66,068
Total	XX	XX	\$1,600,000	XX	XX	\$1,600,000

Number of States and Projects by Commodity Field

Commodity	1973		1974 Estimated	
	Number	Number of	Number	Number
	of States	Projects	of States	Projects
Fruit and Vegetable	38	78	38	83
Poultry and eggs	17	22	14	20
Dairy products	14	18	12	13
Livestock and Meats	30	52	27	47
Grain and seed	19	33	17	31
Other <u>a/</u>	26	36	19	27

a/ Includes nuts, tobacco, cotton, flowers, timber and maple syrup; and cross commodity work in transportation and export marketing.

Distribution of Payments: The distribution of the Federal Payments by States for 1973 and 1974 are shown in the following table:

Distribution of Payments by States

State	Fiscal Year 1973	Fiscal Year 1974
Alabama	\$22,907	\$17,907
Alaska	14,202	--
Arkansas	12,856	18,993
California	36,932	44,542
Colorado	24,936	24,000
Connecticut	18,722	18,722
Florida	95,190	97,200
Georgia	28,636	26,100
Hawaii	17,829	17,829
Idaho	--	--
Illinois	34,237	29,680
Indiana	64,140	64,140
Iowa	12,500	12,500
Kansas	63,223	59,102
Kentucky	43,065	43,065
Louisiana	82,465	51,940
Maine	43,065	43,065
Maryland	27,600	28,772
Massachusetts	18,326	18,326
Michigan	35,043	41,000
Minnesota	45,000	38,517
Mississippi	71,000	35,000
Missouri	47,564	37,158
Montana	5,604	7,455
Nebraska	25,000	16,414
New Hampshire	4,500	--
New Jersey	59,558	59,558
New Mexico	6,500	6,500
New York	83,355	82,315
North Carolina	81,302	96,707
North Dakota	38,499	38,499
Ohio	1,581	16,581
Oklahoma	30,237	31,067
Oregon	20,500	30,000
Pennsylvania	30,271	28,721
South Carolina	30,031	32,500
South Dakota	12,828	12,828
Tennessee	25,100	25,100
Texas	40,316	40,316
Utah	6,250	3,000
Vermont	19,204	19,204
Virgin Islands	13,000	13,000
Virginia	77,219	77,000
Washington	21,000	23,128
West Virginia	60,726	58,500
Wisconsin	47,981	47,981
Undistributed	--	66,068
Total	1,600,000	1,600,000

(c) Perishable Agricultural Commodities Act Fund

Appropriation Act, 1974 (from receipts)	\$1,460,000
Budget Estimate, 1975 (from receipts)	<u>1,582,000</u>
Increase in Appropriation	<u>+122,000</u>

PROJECT STATEMENT

Project	: 1973 : Actual	: 1974 : Estimate	: Increase : or : Decrease	: 1975 : Estimate
Licensing dealers and handling complaints	\$1,245,200	\$1,451,000	+\$122,000(1)	\$1,573,000
Recovery of prior year obligations	-9,595	--	--	--
Unobligated balance brought forward	-161,411	-261,421	-9,000	-270,421
Unobligated balance carried forward	261,421	270,421	+9,000	279,421
Total Available or Estimate	1,335,615	1,460,000	+122,000	1,582,000

EXPLANATION OF PROGRAM

License fees are deposited in this special fund and are used to meet costs of administering the Perishable Agricultural Commodities and the Produce Agency Acts (7 USC 491-497, 499a-499s).

The Acts are intended to assure equitable treatments to farmers and others in the marketing of fresh and frozen fruits and vegetables. Commission merchants, dealers, and brokers handling these products in interstate and foreign commerce are licensed. Complaints of violations are investigated and violations dealt with by (a) informal agreements between the two parties, (b) formal decisions involving payment of reparation awards, and (c) suspension or revocation of license and/or publication of the facts.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$122,000 consisting of:

GSA Space rental costs	+\$107,000
Annualization of pay cost increases effective in FY 1974	+15,000

The law currently provides that annual license fees may be set at a maximum of \$100. The license fee of \$75 per year was not producing sufficient revenue to meet current administrative expenses. It has been increased to \$100, effective January 1, 1974.

STATUS OF PROGRAM

Current Activities: This special fund, comprised of annual license fees, is used for the administration of the Perishable Agricultural Commodities Act and the Produce Agency Act. These laws are designed to: (1) protect producers, shippers, distributors, and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for and on behalf of others.

Commission merchants, dealers, and brokers engaged in the business of handling fresh or frozen fruits and vegetables in interstate or foreign commerce must be licensed under the Perishable Agricultural Commodities Act (PACA). In addition, large retailers are subject to the Act, and are required to be licensed. Those who handle produce for the account of others are required to give a true and correct accounting to their principals. Buyers and sellers must live up to the terms of their contracts, and buyers must pay promptly for their purchase. False or misleading statements, misbranding, etc., are prohibited.

Any interested party or agency may request the assistance of the Department in settling disputes under the Perishable Agricultural Commodities Act. When there is an apparent violation of the Act, the Department will communicate with the respondent party, make the necessary investigation, and endeavor to bring about an amicable informal settlement. Where informal settlement of a dispute cannot be arranged, the complainant is afforded the opportunity to file and pursue a formal complaint under the law. In all proceedings each party has an opportunity to present his side fully. The Department determines whether a violation exists, the loss or amount of damages to be paid, and issues a formal order calling for reparation where appropriate. If violations are repeated or flagrant, disciplinary action may be taken by the Department to suspend or revoke the offender's license.

Licensing and Bonding Activities: At the end of Fiscal Year 1973, 16,878 licenses were in effect, a net decline of 809 from 1972. This was the largest decline in the number of licensees during any fiscal year, except 1970 when there was a decline of 830 licenses. The average annual decline for the past ten years has been approximately 600 licenses due to the trend toward mergers and consolidations of large firms.

Licensing Activities - 1971-1973

Activity	Fiscal Year		
	1971	1972	1973
Licenses renewed	15,982	15,485	15,196
New licenses issued	1,884	2,202	1,682
Licenses terminated	2,335	2,381	2,491
In effect June 30	17,866	17,687	16,878

There are a total of 44 bonds of all types currently in effect under the Act. During the year, nine firms furnished bonds under the employment provisions of the Act in amounts ranging from \$5,000 to \$30,000. Including the bonds previously furnished under these provisions, there was a total of 39 bonds in effect under the employment provisions of the Act at the end of the year.

License Fees: Annual license fees, together with arrearage fees, are deposited into a special fund. All AMS expenses for administration of the Perishable Agricultural Commodities and Produce Agency Acts are paid from this fund. Increased costs of administration and a projected substantial increase in GSA rental charge, make it mandatory that the license fee be increased in 1974.

Examples of Recent Progress and Trends:

A. Perishable Agricultural Commodities Act

1. PACA - Industry Conference Group Meeting. The 1973 meeting of the PACA - Industry Conference Group was held in Los Angeles, California on February 10. The principal subjects discussed by the Committee were: (1) a proposed amendment to the Act intended to provide a monetary penalty as an additional deterrent to misbranding and misrepresentation; (2) slow payment for produce purchased; (3) a new proposed trade term, "deferred billing"; (4) the financial status of the PACA fund; (5) consideration of a possible change from a uniform PACA license fee to a fee structure based on the volume of business conducted.

The Group unanimously recommended that the Act be amended to provide a monetary penalty in addition to the present penalties of suspension and revocation for shipping, selling or offering misbranded produce for sale. It was also recommended that the Department accept complaints from trade associations on behalf of growers so that the individual grower would not be identified in handling complaints against buyers.

2. Informal Reparation Complaints. During Fiscal Year 1973, 13,965 inquiries were received from members of the industry seeking advice concerning contract disputes. The assistance rendered has enabled traders to avoid many marketing problems which could have resulted in the filing of complaints and increased the Department's workload.

There were 1,737 new reparation cases filed this year, as compared to 1,764 filed last year. Amicable settlements were arranged in 983 cases. These settlements resulted in payments to disputing parties totaling \$3.6 million.

3. Formal Reparation Complaints. In 1973, there were 480 formal decisions and orders issued by the Judicial Officer, as compared with 450 decisions last year. Reparations were awarded in 356 of the decisions amounting to \$1,690,357.

The PACA licenses of 59 firms were automatically suspended this year because of failure to pay reparation awards. Last year 60 licenses were suspended. Appeals were filed in U.S. District Courts from 18 reparation awards issued this year. Last year 9 such appeals were filed.

4. Supplement to Digest of Decisions. A Digest of Decisions in reparation cases has been maintained and published for public use. The Digest is used by attorneys and members of the fruit and vegetable industry to guide them in their trading and in settling contractual disputes. Issuance of a supplement is planned this year.
5. PACA Articles. Preparation is being completed on a series of 23 articles covering the fundamentals of the Perishable Agricultural Commodities Act and the fair trading practices fostered under the Act. The articles will be published weekly in The Packer, a fresh fruit and vegetable trade paper and in a pamphlet form as a USDA publication.

6. Disciplinary Actions. A PACA licensee who commits repeated or flagrant violations of the Act and the regulations is subject to formal disciplinary action by the Department seeking revocation or suspension of the firm's license. Court penalties are provided for operating subject to the Act without a valid license.

The Judicial Officer issued 23 formal disciplinary orders this year, as compared with 27 last year. Eight orders were issued revoking the licenses of firms which had failed repeatedly to pay for produce purchased in interstate commerce. A total of 12 orders were issued against firms found guilty of repeated and flagrant violations of the Act. This action is equivalent to license revocation but is taken if a firm has allowed its license to terminate prior to the disciplinary action. Usually such firms have closed or gone into bankruptcy.

The U.S. District Court imposed fines totaling \$5,000 in 2 cases handled by the Department involving firms operating subject to the Act without a valid PACA license. A penalty and injunction was imposed in one case and a penalty of \$600 was imposed in the other.

7. Misbranding. It is a violation of the Act to misrepresent the grade, quality, weight, State of origin, etc., of fruits and vegetables shipped in interstate or foreign commerce. The Department monitors for misbranding through spot checks in the terminal markets since this permits sampling of shipments from all shipping areas. This effort is supplemented by spot checks in particular production areas where indications are that the greatest number of violations probably are being committed.

In 1973, the Judicial Officer issued an order suspending the license of one firm found guilty of repeated and flagrant misbranding violations. This firm's officers were also responsibly connected with six other firms from which they were ordered to become disassociated.

8. Summary of Workload, 1972-1974

Activity	Fiscal Year		
	1972	1973	1974 (Est.)
<u>Actions Completed:</u>			
a. License actions	18,539	18,009	17,500
b. Reparation actions	16,573	16,521	17,000
c. Disciplinary actions	160	190	205
d. Misbranding actions	1,115	933	900
e. Personal investigations ...	1,470	1,398	1,425
<u>Reparations:</u>			
Awarded - Formal orders	\$1,219,609	\$1,690,357	\$1,700,000
Payments - Amicable settlements:	2,284,853	3,653,544	3,700,000
Total	3,504,462	5,343,901	5,400,000

B. Produce Agency Act

The Produce Agency Act is designed to prevent the destruction or dumping without sufficient cause, of farm produce received in interstate commerce on consignment and to require commission merchants to truly and correctly account for such shipments.

This year, eight new complaints were filed and five cases were carried over from last year. Nine cases were settled on an amicable basis while three others were closed. At the end of the year, only one case was pending.



PASSENGER MOTOR VEHICLES

The 1975 Estimates provide for the replacement of 7 passenger motor vehicles. This represents 25 percent of the total 29 passenger motor vehicles available to the Agricultural Marketing Service.

The 7 replacements in Fiscal Year 1975 are for Marketing Services activities.

Passenger motor vehicles are replaced on the basis of justifications with respect to mileage and age standards prescribed by the General Services Administration. These standards provide that vehicles to be replaced must be at least six or more years of age, or have been driven 60,000 miles or more, and other factors.

The number of passenger motor vehicles estimated to be available for 1975 represents the minimum required to maintain essential services of the current programs of the Agricultural Marketing Service. These cars are used in providing the following necessary services: (1) carrying special grading and testing equipment used for inspection and grading commodities and for performing other work required under United States Warehouse Act, Cotton Acts, and Naval Stores Act; (2) carrying boxes of cotton standards types used in classing work and demonstrations at farmers' meetings, and for carrying market news releases and related material for distribution at tobacco auction markets and in connection with assistance to farmers in preparing tobacco for market; (3) traveling to places which are in most cases not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators.

The age and mileage data for passenger motor vehicles on hand as of June 30, 1973 is as follows:

<u>Age -</u> <u>Year Model</u>	<u>Number of</u> <u>Vehicles</u>	<u>Percent</u> <u>of Total</u>	<u>Lifetime</u> <u>Mileage</u> (thous.)	<u>Number of</u> <u>Vehicles</u>	<u>Percent of</u> <u>Total</u>
1964	2	7			
1965	1	3	Over 70	2	7
1966	2	7	60-70	10	35
1967	1	3	50-60	5	18
1968	5	18	40-50	1	3
1969	7	25	30-40	7	24
1970	1	3	20-30	2	7
1971	9	31	10-20	1	3
1972	--	--	Under 10	1	3
1973	<u>1</u>	<u>3</u>		<u>1</u>	<u>3</u>
Total	<u>29</u>	<u>100</u>		Total <u>29</u>	<u>100</u>

Funds for Strengthening Markets, Income, and Supply
(Section 32)

Appropriation Act, 1974	\$931,485,638
Less transfers to:	
Department of Commerce to "Promote and develop fishery products and research pertaining to American fisheries, Fish and Wildlife Service", 84th Congress	-7,287,562
Child Nutrition Programs, Food and Nutrition Service	-199,631,000
Foreign Agricultural Service	-3,117,000
Agricultural Research Service	-15,000,000
Total transfers	-225,035,562
Adjusted base for 1975.....	706,450,076
Budget Estimate, 1975:	
Annual permanent appropriation	\$1,035,000,000
Less transfers to:	
Department of Commerce	-7,428,000
Child Nutrition Programs	-705,926,000
Foreign Agricultural Service	-3,117,000
Agricultural Research Service	-15,000,000
Total transfers	-731,471,000
Total Budget Estimate, 1975	<u>303,529,000</u>
Decrease under adjusted 1974	<u>-402,921,076</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>1974</u> <u>Estimate</u>	<u>Increase or</u> <u>Decrease</u>	<u>1975</u> <u>Estimate</u>
Nonschool year-round food service program	\$10,000,000	+\$29,000,000	\$39,000,000
Supplemental food program operating expenses	600,000	+150,000	750,000
GSA space rental costs	--	+587,000	587,000
Annualization of the pay cost increase effective in FY 1974.	773,000	+95,000	868,000
Marketing Agreements and Orders.	3,314,000	+102,000	3,416,000
Direct purchases	265,328,000	-124,451,000	140,877,000
Financial assistance to States .	14,000,000	-12,000,000	2,000,000
School food service program	427,960,000	-427,960,000	--
Commodity program operating expenses	7,657,000	-792,000	6,865,000
All other	<u>92,000,000</u>	<u>--</u>	<u>92,000,000</u>
Total available	<u>821,632,000</u>	<u>-535,269,000</u>	<u>286,363,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	:	1973 Actual	:	1974 Estimate	:	Increase or Decrease	:	1975 Estimate
1. <u>Commodity Program</u>	:		:		:		:	
<u>Payments:</u>	:		:		:		:	
a. Direct purchases ...	:	\$180,768,504:	:	\$265,328,000:	:	-\$124,451,000(1):	:	\$140,877,000
b. Export payments	:	1,114,946:	:	--	:	--	:	--
c. Financial assistance:	:		:		:		:	
to States	:	16,265,694:	:	14,000,000:	:	-12,000,000(2):	:	2,000,000
d. Other	:	339,000:	:	400,000:	:	--	:	400,000

Continued on next page

Project	1973 Actual	1974 Estimate	Increase or Decrease	1975 Estimate
2. <u>Cash Payments to States:</u>				
a. School food service program	438,452,756	1/427,960,000	-427,960,000(3)	--
b. Nonschool summer food service program	34,718,475	50,600,000	--	50,600,000
c. Nonschool year-round food service program	2,715,927	10,000,000	+29,000,000(4)	39,000,000
3. <u>Supplemental Food Program:</u>				
a. Pilot women, infants and children program	--	40,000,000	--	40,000,000
b. Pilot food certificate program	992,407	1,000,000	--	1,000,000
c. Operating expenses	30,000	600,000	+200,000(5)	800,000
4. <u>Cash Payments in Lieu of Commodities</u>	\$70,796,798	--	--	--
5. <u>Commodity Program Operating Expenses</u>	7,817,599	8,198,000	-400,000(6)	7,798,000
6. <u>Marketing Agreements and Orders</u>	2,993,845	3,546,000	+342,000(7)	3,888,000
Total Obligations	757,005,951	821,632,000	-535,269,000	286,363,000
Recovery of prior year obligations	-13,362,719	--	--	--
Unobligated balance available, start of year:	-194,472,738	-262,988,116	+115,181,924	-147,806,192
Unobligated balance transferred from other accounts	-395,452	--	--	--
Unobligated balance available, end of year	262,988,116	147,806,192	+17,166,000	164,972,192
Total Available or Estimate	811,763,158	706,450,076	-402,921,076	303,529,000

1/ Excludes a proposed supplemental appropriation for fiscal year 1974 of \$15,000,000 for increased reimbursement rates for the special assistance program, pursuant to Public Law 93-150.

EXPLANATION OF PROGRAM

Under Section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c), 30 percent of customs receipts collected during the preceding calendar year plus unused balances up to \$300 million are available. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce to encourage the distribution of such products. Additional transfers, primarily for the child nutrition program, have been provided in recent appropriations.

Remaining balances of Section 32 funds are used to encourage exportation and domestic consumption of agricultural products. Commodities are purchased for distribution through State distributing agencies to schools, summer camps, disaster victims, needy persons, and institutions eligible to receive such purchases.

Section 32 funds are also being used for:

- A. Commodity program operating expenses which includes the administrative costs of purchasing commodities by the Agricultural Marketing Service and the subsequent distribution costs incurred by the Food and Nutrition Service.
- B. Administration of marketing agreements and orders intended to establish and maintain orderly marketing conditions for certain commodities.
- C. Financial assistance to enable certain low income counties to operate a food distribution program, and for direct USDA operation of food distribution programs.
- D. A food certificate program for expectant and new mothers and infants.
- E. Special supplementary food packages for expectant and new mothers and infants.
- F. Special cash supplemental food program for women, infants and children (WIC).
- G. Child feeding programs and nutritional programs authorized by law in the School Lunch Act and the Child Nutrition Act.

The following table summarizes the estimated total funds available for Section 32 activities and the estimated balance carried forward for Fiscal Years 1973, 1974, and 1975.

Item	: 1973 : Actual	: 1974 : Estimate	: 1975 : Estimate
Appropriation or estimate	\$959,086,821	\$931,485,638	\$1,035,000,000
Balance available from prior years	194,472,738	262,988,116	147,806,192
Recovery of prior year obligations	13,362,719	--	--
Unobligated balance returned from CCC ..	395,452	--	--
Transfers to:			
Child Nutrition Programs, FNS	-119,165,000	-199,631,000	-705,926,000
Agricultural Research Service	-15,000,000	-15,000,000	-15,000,000
Foreign Agricultural Service	-3,117,000	-3,117,000	-3,117,000
Department of Commerce	-10,041,663	-7,287,562	-7,428,000
Total available after transfers	1,019,994,067	969,438,192	451,335,192
Obligations	757,005,951	821,632,000	286,363,000
Unobligated balance carried forward in:			
to subsequent years	262,988,116	147,806,192	164,972,192

JUSTIFICATION OF INCREASES AND DECREASES

The net decrease of \$535,269,000 in 1975 for activities carried out under this appropriation consists of:

- (1)(2) A net decrease of \$136,451,000 for commodity program payments consisting of:
 - (a) A decrease of \$124,451,000 for direct purchases (\$265,328,000 available in 1974). A total of \$140,877,000 is projected for 1975 for direct purchases. It is believed that this amount, and if necessary the \$150 million carryover, will be adequate to meet foreseeable surplus problems. Actual program operations will depend on economic conditions and the need for removal of surpluses from the market. Of the commodities purchased, it is expected that they will be distributed as follows:

Schools	\$96,572,000
Supplemental packages	14,600,000
Families	29,705,000
Total	140,877,000

(b) A decrease of \$12,000,000 for financial assistance to States (\$14,000,000 available in 1974). Funds under this program are allocated to State agencies responsible for distributing commodities. These funds may be used only to initiate, expand, or improve commodity distribution programs. The conversion of counties from the food distribution program to the food stamp program has reduced the total funds required for this program.

(3)(4) A net decrease of \$398,960,000 for cash payments to States consisting of:

(a) A decrease of \$427,960,000 for the school food service program (\$427,960,000 available in 1974). In 1975 these programs will be funded under the child nutrition program appropriation, administered by the Food and Nutrition Service.

(b) An increase of \$29,000,000 for the nonschool year-round food service program (\$10,000,000 available in 1974). The increase for 1975 will provide 87 million meals to an additional 281 thousand children participating in the Head Start program.

(5) An increase of \$200,000 for operating expenses of the supplemental food program (\$600,000 available in 1974) consisting of:

GSA space rental costs	+\$35,000
Annualization of pay costs increases effective	
in fiscal year 1974	+15,000
Operating expenses (\$600,000 available in 1974)	+150,000

An increase of \$150,000 and 10 man-years reflects the annualization of 1974 year end employment associated with the expanded women, infants, and children (WIC) program.

(6) A net decrease of \$400,000 for commodity program operating expenses (\$7,979,000 available in 1974) consisting of:

GSA space rental costs	+\$346,000
Annualization of pay cost increases effective in	
fiscal year 1974	+46,000
Commodity procurement (\$3,249,000 available in 1974)	+10,000

The increase of \$10,000 and one man-year is for procurement activities associated with the purchase of grain products.

Plentiful foods program (\$125,000 available in 1974). -\$125,000

A savings of \$125,000 and 4 man-years will result from the discontinuance of the plentiful foods staff, effective on August 1, 1973.

Commodity distribution (\$4,824,000 available in 1974) -\$677,000

A savings of \$677,000 and 30 man-years will result from areas converting from the food distribution program to the food stamp program.

(7) An increase of \$342,000 for marketing agreements and orders (\$3,449,000 available in 1974) consisting of:

GSA space rental costs	+\$206,000
Annualization of pay cost increases effective in	
fiscal year 1974	+34,000
Marketing agreements and orders program increases .	+102,000

Representative grower groups in the industry request a new order program and present evidence to justify the need at a public hearing. In addition the proposed program must be approved by growers in a referendum. The proposed increases are for operation of order programs for: (1) Rye grass and bent grass seed in Oregon and sod in Michigan, \$36,000 and one man-year; (2) administering one additional fruit and vegetable order, \$34,000 and **two** man-years; and (3) for expansion of milk order programs, \$32,000 and one man-year.

STATUS OF PROGRAM

Current Activities

Under Section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c) an amount equal to 30% of customs receipts collected during each preceding calendar year and unused balances up to \$300 million are available for encouraging the domestic consumption and exportation of agricultural commodities, generally perishable commodities which are in greater supply than will clear markets at reasonable prices to producers. Current activity for removing surplus agricultural commodities from the market is in the area of purchases of commodities for distribution through State distributing agencies to schools, summer camps, disaster victims, needy persons and institutions eligible to receive such purchases.

The basic authority provides that these funds shall be devoted principally to perishable nonbasic agricultural commodities and their products, other than those receiving price support under Title II of the Agricultural Act of 1949, as amended. It has been determined that this provision is legally satisfied by setting aside or reserving the principal portion of Section 32 funds for the use of perishable nonbasic agricultural commodities. Not more than 25% of total funds available under the Act may be used for any one commodity or product thereof.

Section 32 funds are also used for:

- A. Commodity program operating expenses, including: (1) administrative costs for direct removal of surpluses from the market by the Agricultural Marketing Service and distribution by the Food and Nutrition Service of Section 32 and CCC commodities to eligible domestic outlets; and (2) expenses incurred in encouraging domestic consumption of abundant foods through retail outlets.
- B. The administration of marketing agreements and orders intended to establish and maintain orderly marketing conditions for certain commodities and related products.

Section 32 funds have been used to develop and implement additional ways to provide food to needy people. These include:

- A. A special feeding program which provides:
 - 1. Supplemental food packages available to preschool children, infants, and women during pregnancy and for twelve months thereafter.
 - 2. Food certificates as a pilot program to increase the purchasing power of low income households containing expectant and new mothers and infants.
 - 3. Cash grants to States for free or reduced price lunches to needy students, breakfasts for children who come from low-income households or children who must travel long distances to school, financial assistance to schools for purchase of food preparation and service equipment and financial assistance to States' program administration costs.
 - 4. Cash grants to provide well balanced meals to preschool children in group situations and needy school-aged children who can be reached through summer recreational activities when school lunch rooms are closed.

- B. Financial assistance to States to enable counties to distribute food to needy families and to enable USDA to operate food distribution programs in those counties unwilling to initiate a food distribution program.
- C. Cash in lieu of commodities for school feeding was authorized for 1973 by P.L. 93-13. The volume and variety of food donations to school lunch and child nutrition programs were significantly below the amounts programmed and budgeted because the required volumes and variety were not available for purchase.

Selected Examples of Recent Progress and Trends

A. Commodity Program Payments

1. Direct Purchases. Eleven purchase and two export programs removed almost 725 million pounds of twenty-nine different commodities from commercial marketing channels during fiscal year 1973.

Purchase of poultry products included 63.5 million pounds of canned boned poultry for distribution to needy persons and 57.1 million pounds of frozen turkeys was purchased for donation to schools. Fifteen percent of the whole turkeys purchased for school lunches was delivered in other than whole carcass form. The turkey was delivered in the form of cooked rolls and raw parts and plain rolls. Schools were required to reimburse the Department for further processing.

Fruit and Vegetable purchases totaling 314.2 million pounds were made of apple sauce, canned corn, fruit cocktail, canned green beans, frozen concentrated orange juice, canned orange juice, canned peaches, peanut butter, canned pears, canned peas, dehydrated potatoes, canned tomatoes, tomato juice and tomato paste. Purchases were short of the volume anticipated at the beginning of the year. Generally, reduced output of crops in calendar year 1972, especially for vegetables, resulted in higher prices.

Dairy programs included purchase of 77.5 million pounds of evaporated milk, 240 thousand pounds of infant formula and 2.9 million pounds of dry whole milk for distribution to needy people.

Livestock meat purchases consisted of 23.1 million pounds of luncheon meat. Production of meat from all major species declined in 1973. Pork output continued cyclically reduced, beef dipped unexpectedly and long-term downward trends in veal and lamb and mutton supplies were extended.

Careful attention was paid to commodity purchases to avoid conflict with price stabilization efforts.

2. Export Programs. On January 11, 1973, the lard export payment program and the chicken export payment program were terminated. During the portion of the year that the programs were in operation payments were made on 56.4 million pounds of lard exported to the United Kingdom and 4.1 million pounds of chickens exported to Switzerland and Greece.

TABLE I

Use Made of Section 32 Funds for Program Operations
Fiscal Year 1972 and 1973

Item	Fiscal Year 1972		Fiscal Year 1973	
	Pounds	Dollars	Pounds	Dollars
Direct Purchases:				
Apples, Fresh	19,622,400	\$1,669,399	---	-\$2,906 <u>2/</u>
Apple Juice	50,719,544	5,198,779	---	-107,465 <u>2/</u>
Apple Sauce	59,338,575	6,659,698	17,082,900	2,080,749
Beans, Dry	70,734,864	9,154,975	80,541,357	9,891,135
Corn, Canned	10,684,800	1,442,060	6,316,800	984,872
Corn Syrup	32,844,000	4,061,750	24,163,800	3,107,056
Cranberries	4,995,400	917,576	---	-15,500 <u>2/</u>
Egg Mix	29,538,000	24,087,228	1,433,000	1,802,238
Evaporated Milk	90,844,950	15,049,186	77,488,325	13,730,077
Fruit Cocktail	---	---	8,240,000	1,659,872
Fruit Nectar, Canned	12,623,845	1,260,851	---	2,241 <u>1/</u>
Grape Juice	14,822,400	2,416,665	---	4,403 <u>1/</u>
Green Beans, Canned	11,132,100	1,578,382	781,200	191,849
Honey	---	1,329 <u>1/</u>	---	---
Infant Formula	180,000	178,691	240,000	132,745
Lard	---	---	5,104,800	1,247,832
Lentils	1,588,656	202,999	220,768	35,659
Meat, Ground Beef	---	-5,421 <u>2/</u>	---	-1,336 <u>2/</u>
Meat, Canned Chopped	---	372,101 <u>1/</u>	---	---
Meat, Canned Luncheon ...	61,416,000	32,078,700	23,112,000	14,183,518
Meat, Canned Pork	35,844,000	24,500,106	---	-26,755 <u>2/</u>
Meat, Ground Pork	78,078,000	42,752,185	---	-51,234 <u>2/</u>
Milk, Dry Whole	1,188,027	831,790	2,904,132	2,095,950
Orange Juice, Froz. Concen:	---	1,674 <u>1/</u>	10,800,000	2,980,079
Orange Juice, Processed .	---	200,558 <u>1/</u>	75,933,600	8,208,804
Peaches, Canned	24,825,600	3,827,703	36,852,000	5,860,226
Peanut Butter	---	109,799 <u>1/</u>	48,711,975	16,369,464
Pears, Canned	30,937,500	5,143,034	14,736,600	3,044,272
Pears, Fresh	37,150,200	4,337,110	---	-9,033 <u>2/</u>
Peas, Canned	9,542,400	1,288,184	7,660,800	1,105,262
Peas, Dry Split	5,285,376	419,583	4,908,629	548,117
Pea Soup Mix	400,000	117,300	---	---
Pineapple Juice	28,652,000	1,565,725	---	712,231 <u>1/</u>
Potatoes, Dehydrated	40,920,000	7,501,489	18,600,000	4,301,143
Potatoes, French Fries ..	23,040,000	3,067,771	---	35,965 <u>1/</u>
Poultry, Canned/Boned ...	69,446,000	42,574,659	72,619,000	56,574,242
Poultry, Cooked/Boned ...	---	---	383,000	271,195
Prunes, Dried	21,584,640	5,062,885	---	100,315 <u>1/</u>
Raisins	8,305,800	1,268,781	---	1,514 <u>1/</u>
Sweet Potatoes, Canned ..	---	3,280 <u>1/</u>	---	---
Tomatoes, Canned	10,416,000	1,754,560	43,132,613	6,512,887
Tomato Juice	29,430,000	3,033,794	25,002,062	2,594,533
Tomato Paste	---	-6,841 <u>2/</u>	385,200	78,969
Turkeys, Frozen	45,150,000	14,992,426	57,050,000	20,532,575
Misc. Adjustments	---	-3,651	---	744 <u>1/</u>
Subtotal	971,281,077	270,668,852	664,404,561	180,768,504
Exports:				
Chickens	12,269,980	1,644,240	4,064,000	533,747
Lard	125,856,677	1,263,986	56,416,740	581,199
Financial Assistance	---	17,658,795	---	16,265,694
Other <u>3/</u>	---	---	---	339,000
Total Obligations	1,109,407,734	291,235,873	724,885,301	198,488,144

1/ Transportation costs of prior year programs.

2/ Reduction in prior year obligations.

3/ Farina purchased by Food and Nutrition Service.

B. Cash Payments to States

Clause 4a of section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c) and the Agriculture-Environmental and Consumer Protection Appropriation Act, 1973, made funds available for use in supplementing child feeding and nutritional programs authorized by law in the National School Lunch and Child Nutrition Acts, as amended, and for direct distribution and other programs designed to provide an adequate diet to needy children and low-income persons.

The States were authorized to use the section 32 funds to expand the school lunch, special assistance, breakfast, nonfood (equipment), State administrative expense, and nonschool food programs.

Beginning in fiscal year 1972, these funds were available to the States on the basis of need as shown by the States' performance in serving meals.

In fiscal year 1973, the total cash payments provided under this program were used in the following areas:

1. For cash grants to provide lunches to school children. \$98,372,945 was used to provide States an average Federal reimbursement of 8 cents on approximately 1.23 billion lunches served under section 4 of the National School Lunch Act.
2. For cash grants to provide special assistance in the serving of lunches to needy children. \$318,292,200 was used in the financing of 801 million lunches. These funds were used to extend special assistance programs and to assist in providing free or reduced price lunches (section 11) under the National School Lunch Act.
3. For cash grants to provide breakfasts to needy children. Approximately 591.6 thousand needy school children received 98.1 million breakfasts at a cost of \$18,763,485. Special emphasis was made to reach needy children who arrived at school without breakfast, children who traveled long distances to school, and children with working mothers.
4. For cash grants to provide food service equipment. A total of \$1,051,937 was used in 1973. This assistance enables schools to expand or begin participation in the child nutrition programs.
5. For cash grants to provide State administrative expenses. The States used \$1,972,189 in fiscal year 1973 for assistance in administering child feeding programs.
6. For cash grants to provide food service programs for children in service institutions. This program reaches preschool and school-age children during the summer months in settlement houses, neighborhood houses, and recreation centers. It also provides year-round assistance to children in day care centers. \$37,434,402 was available to provide 73.4 million meals to 1.2 million children in the summer program, and 16.3 million meals to 27 thousand children in the year-round program.

C. Supplemental Food Program

The Agriculture-Environmental and Consumer Protection Appropriation Act, 1973, also provided funds for a pilot food certificate program. During 1973, 10,311 mothers and children received \$992,407 in food certificates which could be used at retail outlets to purchase milk and baby cereals. The program is operating in Bibb County, Georgia; Cook County, Illinois; Brazos County, Texas; Newport-St. Johnsbury, Vermont; and Yakima County, Washington.

D. Cash Payments in Lieu of Commodities

Public Law 93-13 authorized for 1973 the payment of cash from section 32 funds. This was the difference between the budgeted commodities to be distributed to school food service programs under section 6 of the National School Lunch Act, section 416 of the Agricultural Act of 1949, and section 32, and the amount of commodities estimated to be delivered in 1973. The estimate was based on the outlook as of March 15, 1973. The cash payment amounted to \$70,796,798 for 1973.

E. Commodity Program Operating Expenses

1. Procurement and distribution of commodities. The procurement of commodities under section 32 is carried out by the Agricultural Marketing Service. Distribution of commodities (Section 32 and 416-CCC) to eligible domestic outlets is done by the Food and Nutrition Service.

Commodities are shipped at the request of State agencies. The Federal government pays all costs to central State receiving points. These costs may include processing and packaging, as well as transportation. The State agencies accept the commodities at their central receiving points and are responsible for distribution to the final users. State agencies establish, with USDA concurrence, standards for participation and approve eligible recipients. State agencies are usually responsible for overall supervision of the program to insure that the commodities are effectively used and that waste or resale is avoided.

- a. Needy family program. In keeping with the National interest to end poverty-related hunger in the United States, the major objective of the Food Distribution Program was to ensure that eligible households received the maximum benefits available. During FY 1973 we continued to offer highly palatable and nutritious foods. The food package available during the first half of the year consisted of over 20 items which, if accepted and used in the quantities recommended by USDA, would provide over 100 percent of the recommended dietary allowances for six of the seven basic nutrients and 76 percent of the food energy necessary for good nutrition.

As a part of our overall effort to extend benefits to all eligible recipients, the Drive to Serve program was continued. It is designed to help meet the food assistance needs of

elderly and handicapped recipients who are unable to pick up their own donated foods at distribution centers. The program provides a delivery system utilizing the services of volunteers of the American Red Cross, Future Farmers of America, and U.S. Jaycees, as well as similar national organizations. In addition, a book of recipes especially geared to the needs of the elderly has been made available for the Drive to Serve program. A recent expansion has made this program available in Brockton, Massachusetts and Napa, California as well as the original five areas.

In our continuing effort to improve needy family distribution programs, operating expense funds were once again offered to the States. Twenty-eight States, five outlying territories, and three Indian Reservations accepted \$16.3 million which helped them to defray program operating costs. At the beginning of the fiscal year, two counties in Georgia and one in Alabama were still directly operated by USDA. At the end of the year, only Elmore County, Alabama remained.

Participation in the food distribution programs for needy families declined in FY 1973, as more counties transferred to the Food Stamp Program. The peak participation occurred in July 1972, when approximately 2.8 million persons received food in 1,062 project areas. By the end of the fiscal year, participation had decreased to 2.4 million persons in 977 project areas.

Over 981 million pounds of food valued at \$255 million were provided to needy families during the year. The foods distributed in June 1973 and the number of administrative units receiving each are shown below:

Number of Administrative Units (Counties, Cities, Indian Agencies, and Outlying Areas) Distributing Specific Foods:

Potatoes, Dehydrated	965	Milk	971 <u>1/</u>
Meat and Poultry	955 <u>1/</u>	Evaporated ..	957
Meat, Luncheon	964	Instant	630
Pork, w/NJ	128	Nonfat, Dry ..	400
Poultry, Boned	953	Dry, Whole ..	133
Beef, w/NJ	15	Formula,	
Juice, Canned	909 <u>1/</u>	Infant, Dry.	37
Apple	126	Egg Mix	966
Grape	11	Rice	953
Grapefruit	112	Prunes, Dried	93
Tomato	351	Cereal	964 <u>1/</u>
Fruit Nectar	113	Oats, Rolled.	953
Pineapple	32	Grits, Corn ..	463
Orange	843	Farina	305
Vegetables, Canned	953 <u>1/</u>	Wheat, Rolled.	178
Corn	632	Rice, Instant.	148
Beans, Green	298	Cheese	479
Peas	228	Macaroni	954
Tomatoes	614	Peanut Butter	956
Potatoes, Sweet	76	Butter	948
Fruits in lieu of vegetables:		Shortening, Vegetable	882
Pears	410	Corn Meal	880
Fruit Cocktail	192	Syrup, Corn	868
Peaches	40	Beans, Dry	934
Flour	966	Peas, Dry, Split ...	440
Applesause	18	Bulgur	165
Lentils	123	Raisins	31

1/ Number of administrative units distributing one or more commodities within food group. Recipients can receive only one can per person from each food group.

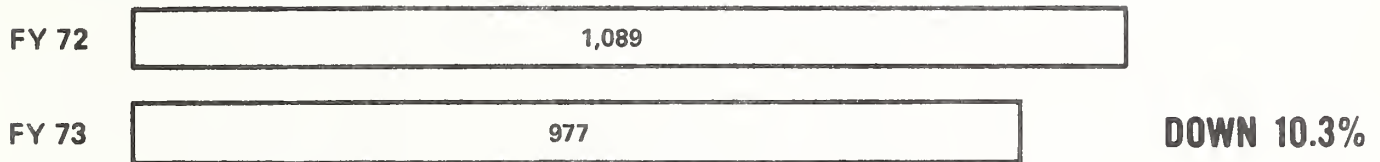
FOOD DISTRIBUTION PROGRAM . . .

(Excludes Supplemental Food Program)

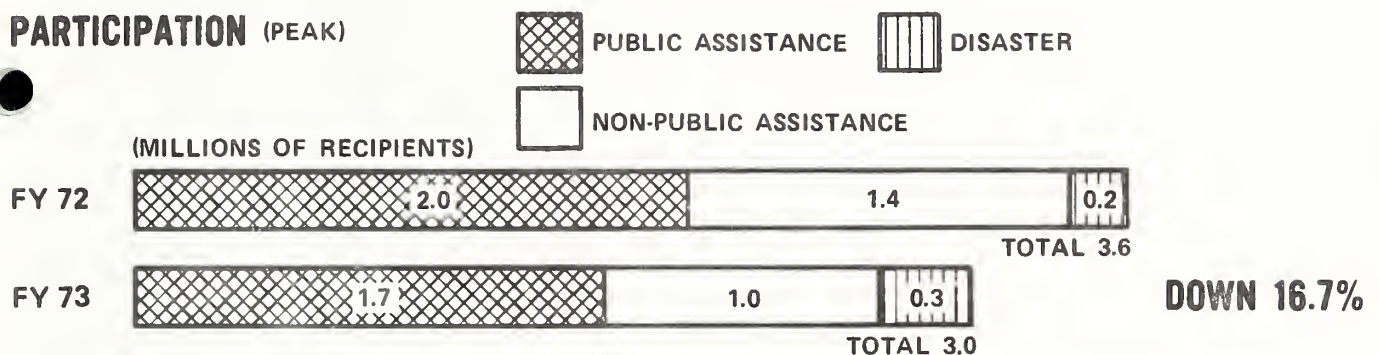
(preliminary)

FY 1973
COMPARED
TO FY 1972

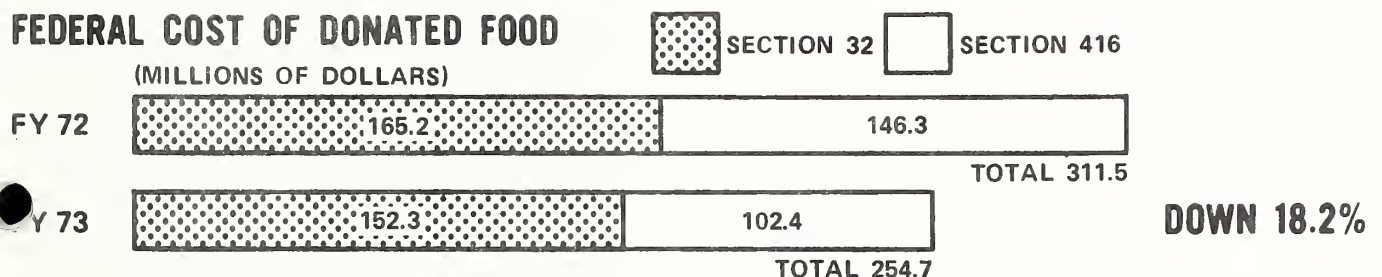
PROJECT AREAS



PARTICIPATION (PEAK)



FEDERAL COST OF DONATED FOOD



BENEFITS PER PERSON

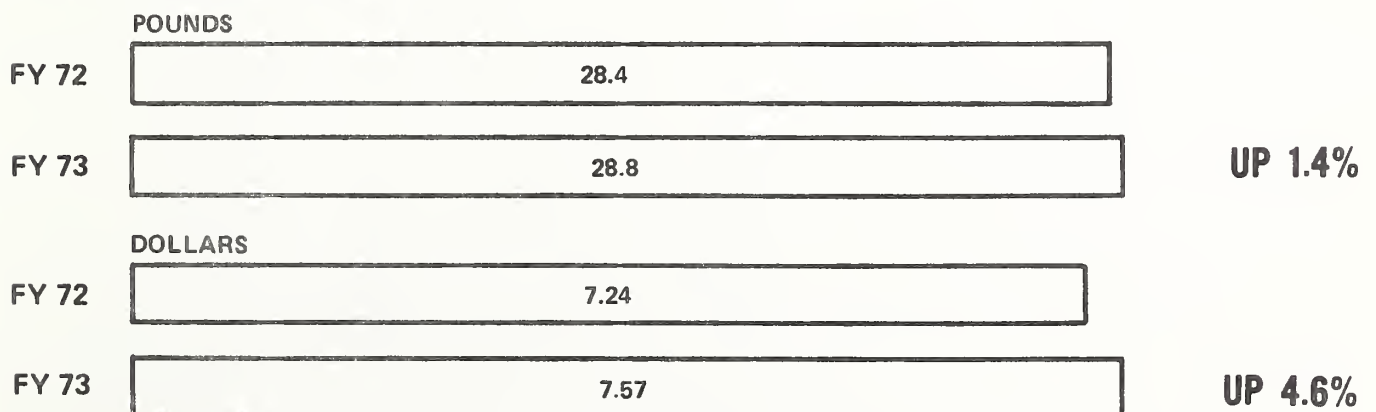


TABLE II - Cost in Millions of Dollars of Food
Distribution for Domestic Use - Fiscal Years 1972 and 1973

Program and Commodity	Domestic Distribution							
	Schools		Institutions		Needy Persons		Total	
	1972	1973	1972	1973	1972	1973	1972	1973
Section 32:								
Apples, Fresh	1.7	1/	.1	1/	1/		1.8	1/
Apple Juice	1/	1/	1/	1/	4.7	.6	4.7	.6
Apple Sauce	6.4	2.5	1/	1/	.1	1/	6.5	2.5
Beans, Dry	2.1	2.7	.1	.1	7.8	6.0	10.0	8.8
Beef, Canned	1/		1/		1/		1/	
Beef, Frozen Ground	1/						1/	
Butter	5.8		.9		2.3		9.0	
Cheese	.8		1/		1.6		2.4	
Chicken, Canned/Boned	1.8		.1		5.0		6.9	
Corn, Canned	1/	1/	1/	1/	2.3	1.0	2.3	1.0
Corn Syrup	1/	1/	1/	1/	4.6	3.4	4.6	3.5
Cranberries	.9	1/	1/	1/			.9	1/
Egg Mix	1/	.1		.2	14.6	13.8	14.6	14.0
Fruit Cocktail		.2		1/		.4		.6
Fruit Nectar, Canned	1/	1/			1.2	1/	1.2	1/
Grape Juice	1/	1/			1.4	1.0	1.4	1.1
Grapefruit Juice								
Grapefruit Sections	.1	1/	1/		1/		.1	1/
Green Beans, Canned	1/	1/	1/	1/	1.9	.8	1.9	.8
Honey	1/	1/	1/	1/			1/	1/
Lard/Shortening	1/		1/			.3	1/	.3
Lentils	1/	1/	1/	1/	.1	.1	.1	.1
Meat, Canned Chopped	.1		.2		22.1		22.4	
Meat, Canned Luncheon	1/	.3	.3	.3	14.8	29.7	15.1	30.3
Milk, Evaporated	1/	1/	1/	1/	16.5	13.9	16.5	13.9
Milk, Infant Formula					.1	.2	.1	.2
Milk, Nonfat Dry	.8		.3		.4		1.5	
Milk, Dry Whole					.4	1.3	.4	1.3
Orange Juice, Frozen	.6	1.6	1/	.2	1/	1/	.6	1.8
Orange Juice, Processed	1/	1/	1/	1/	2.1	3.6	2.1	3.6
Peaches, Canned	2.8	6.0	1/	1/	.4	.5	3.2	6.5
Peanut Butter	.6	6.1	.1	1.4	.9	7.3	1.6	14.7
Pears, Canned	4.3	.6	1/	1/		1.6	4.3	2.2
Pears, Fresh	4.2		.1		1/		4.3	
Peas, Canned	1/	1/	1/		1.3	1.2	1.3	1.2
Peas, Dried Split	.6	.1	.5	.1	2.8	.3	3.9	.5
Pea Soup Mix	.1	.1	1/	1/			.1	.1
Pineapple Juice		1/				2.2		2.2
Pork, Canned	2.8	1.9	.1	1/	30.2	4.4	33.1	6.3
Pork, Frozen Ground	44.0	2.2	1/	1/	1/		44.0	2.2
Potatoes, Dehydrated	2.2	.3	.1	1/	6.3	5.5	8.6	5.8
Potatoes, Frozen F. Fries	3.0	.3	1/	1/	1/		3.0	.3
Poultry, Canned/Boned	10.1	17.1	1/	.6	7.4	44.4	17.5	62.1
Poultry, Frozen/Boned		.3						.3
Prunes, Dried	.1	1/	1/	1/	5.7	2.4	5.8	2.4
Raisins	1.3	1/	1/	1/	1/		1.3	1/
Sweet Potatoes				1/	.1	1/	.1	1/
Tomatoes, Canned	1/	5.1	1/	1/	1.0	2.5	1.0	7.6
Tomato Juice	1/	1/	1/	1/	4.2	2.6	4.2	2.6
Tomato, Paste	1/	.1	1/		1/		1/	.1
Turkeys, Canned/Boned	.1		1/		3.1		3.2	
Turkeys, Frozen	15.1	16.5		1/		1/	15.1	16.5
Turkey Rolls		1.5		1/				1.5
Total, Section 32	112.4	65.6	2.9	2.9	167.4	151.0	282.7	219.5
Section 416:								
Beans, Dry	.2		1/		.6		.8	
Bulgur	.1	.1	1/	1/	.1	.1	.2	.2
Butter	75.3	84.1	11.3	12.5	30.0	27.3	116.6	123.9
Butter Oil	1/						1/	
Cheese	14.6	.4	.1	1/	30.7	12.6	45.4	13.0
Corn Flour	1/				1/		1/	
Corn Meal	.8	.9	.2	.2	3.2	2.8	4.2	3.9
Farina	1/	1/	1/	1/	.5	.5	.5	.5
Flour	15.7	21.4	3.6	4.5	9.6	9.3	28.9	35.2
Grits, Corn	.1	.1	.1	.1	.7	.6	.9	.8
Macaroni	1/	1/	1/	1/	4.2	3.5	4.2	3.5
Milk, Instant Fortified	2.1	1.7	1/	.1	35.7	26.0	37.8	27.8
Milk, Nonfat Dry	9.0	8.4	3.2	2.7	4.1	1.0	16.3	12.1
Oats, Rolled	.4	.6	.3	.4	2.1	2.3	2.8	3.3
Peanut Butter	5.3	.4	.9	.1	8.7	1.3	14.9	1.9
Rice	3.4	4.7	.9	1.2	7.2	9.3	11.5	15.2
Rice Cereal, Instant	1/				1/	.1	1/	.1
Salad Oil	4.5	5.0	.8	.8	1/	1/	5.3	5.8
Shortening, Vegetable	7.0	7.1	1.7	1.8	8.4	6.8	17.1	15.7
Wheat Rolled	.2	.2	.1	.1	.4	.2	.7	.4
Total, Section 416	138.7	135.1	23.2	24.5	146.2	103.7	308.1	263.3
Total, Section 32 and 416	251.1	200.7	26.1	27.4	313.6	254.7	590.8	482.8

1/ Less than \$50,000.

TABLE III - Quantity in Millions of Pounds of Food
Distribution for Domestic Use - Fiscal Years 1972 and 1973

Program and Commodity	Domestic Distribution							
	Schools		Institutions		Needy Persons		Total	
	1972	1973	1972	1973	1972	1973	1972	1973
Section 32:								
Apples, Fresh	19.1	1/	.4	1/	1/		19.5	1/
Apple Juice	.5	1/	1/	1/	44.9	6.0	45.4	6.0
Apple Sauce	56.3	19.7	.3	.2	1.1	1/	57.7	19.9
Beans, Dry	15.9	22.5	.8	.7	59.4	49.9	76.1	73.1
Beef, Canned	1/		1/		1/		1/	
Beef, Frozen Ground ...	1/						1/	
Butter	7.8		1.2		3.1		12.1	
Cheese	1.3		1/		2.6		3.9	
Chicken, Canned/Boned ..	2.9		.1		8.0		11.0	
Corn, Canned	.2	1/	1/	1/	17.5	6.5	17.7	6.5
Corn Syrup	.2	1/	1/	1/	39.2	28.7	39.4	28.7
Cranberries	4.7	.1	1/	1/			4.7	.1
Egg Mix	1/	.1		.2	17.8	16.6	17.8	16.9
Fruit Cocktail		1.2		.1		1.8		3.0
Fruit Nectar, Canned ...	1/	1/			12.2	.4	12.2	.4
Grape Juice	1/	1/			8.3	6.2	8.3	6.2
Grapefruit Juice								
Grapefruit Sections	.3	1/	1/		1/		.3	1/
Green Beans, Canned	1/	1/	1/	1/	13.0	5.3	13.0	5.3
Honey	.2	1/	1/		1/		.2	1/
Lard/Shortening	1/		1/	1/		1.1	1/	1.1
Lentils	.2	.1	.2	.2	.4	.8	.8	1.1
Meat, Canned Chopped ...	.1		.4		41.4		41.9	
Meat, Canned Luncheon ..	1/	.4	.5	.6	27.7	52.3	28.2	53.3
Milk, Evaporated	.1	.1	.1	.1	98.9	82.5	99.1	82.7
Milk, Infant Formula ...					.1	.2	.1	.2
Milk, Nonfat Dry	2.4		.8		1.1		4.3	
Milk, Dry Whole					.6	1.8	.6	1.8
Orange Juice, Frozen ...	2.6	5.8	.2	.7	1/	1/	2.8	6.5
Orange Juice, Processed ..	1/	1/	1/	.2	20.9	30.4	20.9	30.6
Peaches, Canned	17.6	37.1	.1	1/	2.5	3.2	20.2	40.3
Peanut Butter	1.7	18.0	.3	4.0	2.9	21.4	4.9	43.4
Pears, Canned	25.2	2.9	.1	1/		7.9	25.3	10.8
Pears, Fresh	35.1		.7		1/		35.8	
Peas, Canned	.1	1/	1/		8.8	8.2	8.9	8.2
Peas, Dried Split	.7	1.0	.6	.6	3.5	3.3	4.8	4.9
Pea Soup Mix	.2	.2	1/	1/			.2	.2
Pineapple Juice		.1				28.3		28.4
Pork, Canned	4.1	2.8	.1	1/	44.2	6.4	48.4	9.2
Pork, Frozen Ground	79.5	4.1	1/	1/	1/		79.5	4.1
Potatoes, Dehydrated ...	12.0	1.4	.5	.1	34.3	25.7	46.8	27.1
Potatoes, Froz. F. Fries ..	21.2	1.8	1/	1/	1/		21.2	1.8
Poultry, Canned/Boned ..	16.3	23.7	.1	.8	11.8	61.4	28.2	85.9
Poultry, Frozen/Boned ...		.4						.4
Prunes, Dried	.4	1/	.2	1/	23.9	9.9	24.5	9.9
Raisins	8.0	.2	.1	1/	1/		8.1	.2
Sweet Potatoes		1/		1/	.6	1/	.6	1/
Tomatoes, Canned	.1	32.7	1/	1/	5.6	15.7	5.7	48.5
Tomato Juice	.1	1/	1/	1/	42.5	25.3	42.6	25.3
Tomato Paste	1/	.4	1/		1/		1/	.4
Turkeys, Canned/Boned ..	.2		1/		5.0		5.2	
Turkeys, Frozen	45.5	46.1		1/		1/	45.5	46.1
Turkey Rolls		4.2		1/				4.3
Total, Section 32	382.8	227.1	7.8	8.5	603.8	507.2	994.4	742.8
Section 416:								
Beans, Dry	1.3		1/		4.8		6.1	
Bulgur	1.1	1.1	.3	.4	1.8	1.0	3.2	2.5
Butter	101.1	116.8	15.1	17.3	40.3	37.9	156.5	172.0
Butter Oil	1/						1/	
Cheese	23.9	.6	.2	1/	50.4	20.3	74.5	20.9
Corn Flour	1/				.1		.1	
Corn Meal	17.2	17.7	4.0	4.3	68.5	55.9	89.7	77.9
Farina	.1	.1	1/	1/	3.2	3.2	3.3	3.3
Flour	250.8	279.0	57.8	59.4	154.0	121.0	462.6	459.4
Grits, Corn	1.1	1.3	1.2	1.5	11.3	9.1	13.6	11.9
Macaroni	1/	1/	1/	.1	32.2	25.7	32.2	25.8
Milk, Instant Fortified ..	4.7	3.8	.1	.3	78.0	57.9	82.8	62.0
Milk, Nonfat Dry	25.6	26.3	9.0	8.4	11.5	3.3	46.1	38.0
Oats, Rolled	7.3	8.4	4.6	4.9	33.6	31.4	45.5	44.8
Peanut Butter	16.1	1.2	2.9	.4	26.8	3.9	45.8	5.5
Rice	31.5	34.2	8.3	8.5	66.8	66.9	106.6	109.6
Rice Cereal, Instant ...	1/				.1	.2	.1	.2
Salad Oil	21.8	25.9	3.7	4.0	1/	1/	25.5	29.9
Shortening, Vegetable ...	34.9	36.3	8.7	9.0	41.8	34.9	85.4	80.1
Wheat Rolled	3.5	1.7	1.4	1.0	5.6	1.8	10.5	4.5
Total, Section 416	542.0	554.4	117.3	119.5	630.8	474.4	1,290.1	1,148.3
Total, Section 32 & 416 .	924.8	781.5	125.1	128.0	1,234.6	981.6	2,284.5	1,891.1

1/ Less than 50,000 pounds.

- b. Schools. Over 24.3 million children received food worth \$201 million from section 32 and section 416.
 - c. Institutions. Approximately 2.7 million people in eligible institutions received food worth \$27 million. Participation consisted of approximately 1.3 million in the year-round program and an additional 1.4 million in summer camps.
 - d. Supplemental food packages. In 1973 foods such as orange juice, evaporated milk, farina, and meat were distributed to participants. Packages were provided to 29,890 infants, 102,249 children, and 32,084 expectant and new mothers from low income households in food distribution areas. As of June 30, 1973, \$13.3 million worth of food had been distributed through 237 projects participating in the program.
 - e. Disaster feeding. Approximately 961 thousand pounds of donated food valued at \$292 thousand was consumed by 321 thousand persons affected in thirty-three disasters.
2. Plentiful foods program. The Plentiful Foods Staff was discontinued, effective August 1, 1973. Plentiful Foods activity has declined as a result of strong domestic and foreign demand for U.S. foods. This demand is expected to continue during the foreseeable future.

The monthly Plentiful Foods publication was the way that the food trades were advised of the foods designated each month as being plentiful. An item designated as a monthly plentiful food generally was in such supply that it was having or was expected to have marketing difficulties, was available in wholesale and retail channels and public feeding establishments throughout the country, and was a commonly used product. Twenty-five items appeared on the monthly Plentiful Foods lists in fiscal year 1973. Fifteen of the items were fruits and vegetables, three were meat or poultry items, and the remainder consisted of dairy, grain, peanut, and fishery products.

Beginning August 1, 1973, assistance in stimulating consumption of foods in surplus supply was provided through the Washington and field staffs of the Agricultural Marketing Service Information and commodity divisions. The commodity divisions provide notice of any surplus situations and the Information Division develops bulletins and promotional assistance on an as-needed basis, working with the media and the food trades, particularly retail organizations.

F. Marketing Agreements and Orders

Section 32 funds authorized under 7 U.S.C. 1392b are used by the Department for supervising adopted marketing agreement and order programs and for public hearings and referenda to determine producer sentiment relative to new programs and revision of current programs.

1. Milk. Milk Marketing Orders establish orderly marketing conditions for the sale of milk by dairy farmers to handlers. This is done by fixing minimum prices which handlers pay to producers. Such minimum prices are set at levels that reflect supply and demand conditions in the markets and assure consumers an adequate supply of pure and wholesome milk. Almost 68 billion pounds of milk valued at almost \$4.5 billion (minimum price basis) were delivered to the market in 60 Federal market areas in fiscal year 1973. This represented 59 percent of all milk marketed by U.S. dairy farmers.

Significant actions involving Federal Milk Orders during this year included the following:

- a. Cooperatives have operated under continuing threat of restraining actions stemming from antitrust suits filed by the Justice Department and several suits filed against them by handlers and other producer groups. This uncertainty by cooperatives has deterred anticipated order consolidations.
 - b. The Mississippi Order was terminated effective April 30, 1973, after cooperative Dairymen, Inc. withdrew their support.
 - c. An order covering the Lake Mead, Nevada marketing area was issued on June 15, 1973 to become effective on July 1, 1973.
 - d. The Upstate Michigan and Southern Michigan milk orders were merged effective April 1, 1973.
2. Fruits and Vegetables. These orders are established to regulate the quality and quantity of products covered by an order and sold in commercial channels, in order to provide for orderly marketing. A total of forty-nine marketing agreement and order programs were in effect at the end of fiscal year 1973, covering fresh citrus and deciduous fruits, potatoes, vegetables, tree nuts, peanuts, dried fruits and hops. The value of commodities covered by these programs totaled \$2.5 billion at the farm level. (See table V.)
 - a. In two referendums held during the year, producers indicated that they favor continuation of the Georgia Peach and California olive orders.
 - b. Amendment proceedings were completed on programs for Indian River (Florida) grapefruit and California raisins.
 - c. There was a legal challenge to a Secretary's decision regarding the Florida tomato marketing order. The Secretary's decision, issued August 1972, found that requiring larger minimum sizes for vine-ripes than for mature greens was an appropriate method of regulating shipments. Consumer groups and importers of Mexican tomatoes challenged this decision in separate suits filed in the U. S. District Court for the District of Columbia. These actions are still pending.

3. Tobacco. A marketing agreement and order for Georgia-Florida shade grown cigar leaf continued in effect during fiscal year 1973. The purpose of this order is to improve quality and income to producers by limiting the number of leaves which can be harvested per plant. The limitation for the 1972 crop was 18 leaves. Use of natural leaf for cigar wrapper is declining, as "manufactured or homogenized" wrapper gains an increasing percentage of the cigar output. The limitation on the number of leaves harvested prevents a surplus of inferior qualities, particularly in view of the declining outlet for natural leaf wrapper.
4. Grain. In fiscal year 1973, hearings were held on proposed orders for Oregon-grown rye grass seed and bentgrass seed. If final decisions on these orders are favorable, a referendum for each will be held in the spring of 1974.

Potato Research and Promotion

The Potato Research and Promotion Plan provides for a national program of advertising, promotion, research and development to strengthen the demand for potatoes and potato products. The plan is authorized by the Potato Research and Promotion Act (Title 3 of P.L. 91-670) and was approved by potato growers in a referendum held in February 1972. The program completed its first year of operation in June 1973.

During 1973, key staff were hired, procedures for collections, rebates to growers, and enforcement were developed, and implementing regulations were issued.

The program is being financed by a one cent per hundredweight assessment on potatoes used for human consumption and seed. Assessments began on September 15, 1972, and income for FY 1973 is \$1.6 million. In accordance with the enabling act, a producer who does not wish to support the program may obtain a refund. Refunds for FY 1973 totaled \$150 thousand.

TABLE IV - Activities under the Milk, Fruit, Vegetable and Tree Nut Agreement and Order Programs During Fiscal Year 1973 and Estimated for 1974

Activity	Fluid Milk Orders		Fruit, Vegetable and Tree Nut Orders	
	1973	1974	1973	1974
	:	:	:	:
Agreement and order programs in effect	60	60	49	50
Requests received for new programs	1	1	1	2
<u>Hearings and Petitions:</u>	:	:	:	:
Hearings held to consider amendments to existing orders or the issuance of orders	:	:	:	:
in new areas	17	25	2	8
Amendments issued	40	100	2	6
Suspensions issued	19	15	--	--
Petitions received for review of order	4	6	1	--
Petitions disposed of during the year	14	10	1	--
Administrator's Decisions issued	24	20	3	8
Secretary's Decisions issued	21	22	4	8
Secretary's Referendum Orders issued	9	6	5	8
<u>Order Operation and Enforcement:</u>	:	:	:	:
Regulatory orders issued	--	--	322	339
Investigation of alleged violations	34	35	51	55
Cases referred to the Department of Justice for prosecution	24	25	17	15
Court cases resolved	17	15	11	19
<u>Order Management</u>	:	:	:	:
Appointment of administrative committees	--	--	50	52
Promulgation of committee rule making	--	--	27	27
Budgets approved	62	60	46	50
	:	:	:	:

1/ 20 docket actions.

TABLE V

Marketing Agreement and Order Programs in Effect
for Fluid Milk During Fiscal Year 1973

Orders	Number of Handlers*	Number of Producers	Milk Sold by Producers (1,000 lbs.)	Population of Marketing Area
NEW ENGLAND				
Boston Regional	65	7,040	3,445,242	7,076,258
Connecticut	26	1,882	1,323,440	3,032,217
MIDDLE ATLANTIC				
New York-New Jersey	134	23,028	9,664,504	20,538,648
Middle Atlantic	63	8,159	4,543,498	10,650,865
SOUTH ATLANTIC				
Appalachian	8	926	480,953	535,752
Tampa Bay	12	147	447,355	1,779,049
Southeastern Florida	15	96	720,228	2,430,855
Upper Florida	14	198	608,397	2,233,107
Georgia	37	1,311	1,323,917	4,390,384
EAST NORTH CENTRAL				
<u>Eastern Group</u>				
Southern Michigan 1/	47	7,991	3,887,949	7,961,472
Eastern Ohio-Western Pa. .	96	8,629	3,192,117	8,498,407
Ohio Valley	69	7,780	3,084,948	7,293,631
<u>Western Group</u>				
Michigan Upper Peninsula	14	304	105,931	332,747
Chicago Regional	156	17,039	8,155,121	11,361,645
Louisville-Lex.-Evans. ...	20	2,662	1,158,640	2,409,467
Indiana	35	4,350	1,937,732	4,325,553
Southern Illinois	17	2,176	983,747	1,965,740
Central Illinois	11	661	275,067	923,623
WEST NORTH CENTRAL				
<u>Northern Group</u>				
Duluth-Superior	1	511	165,178	201,733
Minneapolis-St. Paul	29	5,349	2,448,172	2,250,018
Eastern South Dakota	9	517	268,600	400,545
Black Hills	3	99	56,015	104,824
North Central Iowa	5	472	149,282	530,057
Cedar Rapids-Iowa City ...	4	326	92,584	157,492
Quad Cities-Dubuque	10	915	328,553	587,718
Des Moines	15	1,484	590,103	683,216
Nebraska-Western Iowa	24	1,757	981,168	1,848,106
Minnesota-North Dakota ...	9	1,855	772,061	636,547
S.E. Minn.-Northern Iowa .	13	938	474,434	690,344
<u>Southern Group</u>				
St. Louis-Ozarks	20	3,327	1,755,234	2,693,320
Kansas City	27	2,184	1,179,504	2,198,124
Neosho Valley	3	35	17,832	332,481
Wichita	11	404	184,629	840,923

TABLE V
(Continued)

Marketing Agreement and Order Programs in Effect
for Fluid Milk During Fiscal Year 1973

Orders	: Number : of : Handlers*	: Number : of : Producers	: Milk Sold : by Producers : (1,000 lbs.)	: Population : of Marketing : Area
EAST SOUTH CENTRAL	:	:	:	:
Paducah	6	256	122,815	347,564
Nashville	11	935	445,333	1,322,884
Memphis	12	588	325,566	1,060,208
Knoxville	6	403	182,890	678,823
Chattanooga	6	747	450,307	615,721
Mississippi <u>2/</u>	24**	3/791	4/409,743	1,722,399
WEST SOUTH CENTRAL	:	:	:	:
<u>Northern Group</u>	:	:	:	:
Central Arkansas	9	556	283,829	884,371
Fort Smith	2	148	48,537	71,175
Oklahoma Metropolitan	17	1,428	754,823	1,267,085
Red River Valley	6	323	164,211	569,006
Texas Panhandle	3	278	89,670	328,286
Lubbock-Plainview	4	192	68,450	352,504
<u>Southern Group <u>5/</u></u>	:	:	:	:
Northern Louisiana	9	241	236,971	582,937
New Orleans	19	1,178	641,349	1,182,650
North Texas	24	1,863	1,301,179	3,231,639
Central West Texas	5	274	174,103	460,308
San Antonio	7	626	371,231	830,460
Corpus Christi	8	287	177,356	699,357
South Texas	19	2,482	1,165,521	2,943,136
MOUNTAIN	:	:	:	:
Eastern Colorado	21	1,178	765,217	1,930,356
Great Basin	16	791	555,641	1,018,753
Western Colorado	6	54	36,780	102,847
Central Arizona	10	161	659,243	1,532,059
Rio Grande Valley	15	350	365,397	1,386,148
PACIFIC	:	:	:	:
Puget Sound	15	1,598	1,534,257	2,176,948
Inland Empire	10	413	285,744	451,599
Oregon-Washington	52	1,155	1,188,884	2,487,472
TOTAL <u>5/</u>	1,364	133,848	67,607,182	142,131,563

*June 1973. **April 1973.

Percent of milk marketed under Agreements & Orders 59%
Total markets 60
Value of producer deliveries (million dollars) \$4,470
Increase in dairy income from orders (million dollars) \$447
1/ Upstate Michigan and Southern Michigan merged effective April 1.
2/ Order terminated midnight April 30.
3/ 10-month average.
4/ 10-month total.
5/ Excludes Austin-Waco. Fewer than three handlers.

TABLE VI - Fruit, Vegetable and Tree Nut Marketing Agreement and Order
Programs in Effect during Fiscal Year 1973

Commodity and Area	Estimated Number of Commercial Producers	Estimated Farm Values (\$1,000)
CITRUS FRUITS		
Calif. - Ariz. Navel oranges	5,000	\$65,700
Calif. - Ariz. Valencia oranges	4,500	75,600
Calif. - Ariz. Desert grapefruit	600	10,700
Calif. - Ariz. lemons	2,000	101,800
Florida oranges	(	
Florida grapefruit (all)	(	
Florida tangelos	(15,700	578,700
Florida tangerines	(	
Florida limes	100	6,380
Texas oranges	(2,800	41,400
Texas grapefruit	(	
NONCITRUS FRUITS		
California Bartlett pears	1,200	37,180
California nectarines	1,250	15,136
California Freestone peaches	2,000	25,168
California plums	1,800	23,808
California Tokay grapes	1,200	9,216
California olives	1,500	10,611
Colorado peaches	300	994
Florida avocados	150	7,000
Georgia peaches	400	16,853
Idaho-Oregon prunes	250	1,558
Utah peaches	250	200
Washington apricots	250	313
Washington sweet cherries	1,300	11,088
Washington peaches	500	3,740
Washington-Oregon-Calif. winter pears	1,800	20,612
Washington-Oregon Bartlett pears	2,500	18,402
Washington-Oregon prunes	500	2,195
Cranberries	1,300	22,304
Red Tart cherries 1/	2,300	20,269
Hawaiian papayas	165	3,423
POTATOES		
Idaho-Eastern Oregon	2,000	177,000
S. E. States (Va.-N.C.)	330	18,000
Washington	425	58,000
Colorado	810	25,000
Maine	1,750	80,000
New England (except Maine)	200	8,500
Oregon-Northern California	800	35,000
VEGETABLES		
South Texas Onions	265	50,000
Idaho-E. Oregon Onions	260	25,000
South Texas Tomatoes	100	2,000
Florida Tomatoes	200	90,000
Texas Lettuce	65	3,600
Florida Celery	51	30,000
NUTS		
California almonds	7,000	90,720
Oregon-Washington, filberts	1,700	5,141
California-Oregon-Washington walnuts	8,450	57,950
Peanuts 2/	82,496	472,761

Commodity and Area	: Estimated Number : of Commercial : Producers	: Estimated : Farm Values : (\$1,000)
DRIED FRUIT	:	:
California dates	: 160	: \$3,144
California raisins	: 4,500	: 56,805
California prunes	: 2,600	: 37,345
OTHER	:	:
Washington, Oregon, Idaho, Calif. Hops <u>1</u> /	: 200	: 36,631
Total	: xxxxxx	: 2,492,947

1/ Marketing order only.

2/ Marketing agreement only covering States of Alabama, Arizona, Arkansas, California, Florida, Georgia, Louisiana, Mississippi, Missouri, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia.

Total number of programs 49

Million tons regulated under F&V, A&O 26.2

Value of marketings \$2,441,611,000

COMMODITY EXCHANGE AUTHORITY

Purpose Statement

The Commodity Exchange Authority administers the Commodity Exchange Act of September 21, 1922, as amended.

The major objectives of the Act are to prevent commodity price manipulation and market corners; curb unwarranted changes in price resulting from excessive speculation by large traders; prevent dissemination of false and misleading crop and market information affecting commodity prices; protect hedgers and other users of the commodity futures markets against cheating, fraud, and other abusive practices; insure the benefits of membership privileges on contract markets to cooperative associations of producers; protect margin moneys and equities of hedgers and other traders and prevent the misuse of such funds by requiring trust fund treatment of such moneys and establishing minimum financial and fitness standards for firms; and provide information to the public regarding trading operations and contract markets.

The basic Act, originally designated as the Grain Futures Act, conferred limited authority with respect to futures trading in grains only. By amendment of June 15, 1936, its short-title designation was changed to "Commodity Exchange Act," and its regulatory provisions strengthened and extended to cotton, millfeeds, butter, eggs, potatoes, and rice. By amendment of April 7, 1938, wool tops were added to the commodities subject to the Act; fats and oils, cottonseed, cottonseed meal, peanuts, soybeans, and soybean meal were added by the Act of October 9, 1940; wool was added by enactment of Public Law 690 of August 28, 1954; and onions were added by enactment of Public Law 174 of July 26, 1955. Public Law 85-839 approved August 28, 1958, prohibited futures trading in onions effective September 27, 1958. Public Law 90-258, which became effective on June 18, 1968, added livestock and livestock products to the commodities subject to the Act; it also established minimum financial requirements for brokerage firms and strengthened and extended other provisions of the Act. Public Law 90-418, which became effective on July 23, 1968, extended the Commodity Exchange Act to frozen concentrated orange juice.

These functions carried out under the Act are performed through a Washington, D. C. headquarters office and three regional offices, located in Chicago, Kansas City, and New York City. A suboffice of the Chicago office is located in Minneapolis.

Available Funds and Man-Years
1973 and Estimated, 1974 and 1975

Item	:	Actual	:	Estimated	:	Budget Estimate			
	:	1973	:	Available, 1974	:	1975			
	:	Amount	:Man- :Years:	Amount	:Man- :Years:	Amount	:Man- :Years		
Commodity Exchange Authority:	:	\$2,906,000:	167	:	\$3,459,000:	180	:	\$4,309,000:	216

	<u>1973</u> <u>Actual</u>	<u>1974</u> <u>Estimated</u>	<u>1975</u> <u>Estimated</u>
End-of-Year Employment:			
Permanent full-time.....	156	180	209
Other.....	9	8	8
Total.....	<u>165</u>	<u>188</u>	<u>217</u>

Commodity Exchange Authority

Appropriation Act, 1974.....	\$3,257,000
Budget Estimate, 1975.....	<u>4,309,000</u>
Increase in Appropriation.....	+1,052,000

Adjustments in 1974:

Appropriation Act, 1974.....	\$3,257,000	
Transfer to General Services Administration for rental of space.....	-12,000	
Transfer from Salaries & Expenses, ASCS for pay costs	+214,000	
Adjusted base for 1975.....		3,459,000
Budget estimate, 1975.....		<u>4,309,000</u>
Increase over adjusted 1974.....		+850,000

SUMMARY OF INCREASES

(On basis of adjusted appropriation)

	<u>1974</u>	<u>Increase</u>	<u>1975 Estimate</u>
Protect public interest and super- vise commodity futures markets and handle increased number of complaints..	\$1,779,000	+\$604,000	\$2,383,000
GSA Space rental costs.....	- -	+204,000	204,000
Annualization of the pay cost increase effective in 1974.....	214,000	+42,000	256,000
All other.....	<u>1,466,000</u>	- -	<u>1,466,000</u>
Total available.....	<u>3,459,000</u>	<u>+850,000</u>	<u>4,309,000</u>

PROJECT STATEMENT

(On basis of adjusted appropriation)

Project	1973	1974 (estimated)	Increase	1975 (estimated)
1. Administration of the Commodity Exchange Act.....	\$2,783,336	\$3,459,000	+\$850,000(1)	\$4,309,000
Unobligated balance.....	122,664	- -	- -	- -
Total available or estimate.....	<u>2,906,000</u>	<u>3,459,000</u>	<u>+850,000</u>	<u>4,309,000</u>
Transfer to GSA.....	- -	+12,000		
Proposed Supplemental for pay increase costs.....	- -	-214,000		
Total, appropriation.....	<u>2,906,000</u>	<u>3,257,000</u>		

EXPLANATION OF PROGRAM

The major objectives of the Commodity Exchange Authority, in the enforcement of the Commodity Exchange Act, are to protect the price and hedging services of the commodity futures markets. These services are widely used by farmers, merchandisers, and processors. To carry out its enforcement objectives, the Commodity Exchange Authority works to maintain fair trading practices and competitive pricing on commodity exchanges, and to prevent price manipulation, cheating, fraud, and abusive acts and practices in commodity transactions. Enforcement of the Act includes supervision of 21 commodity exchanges designated as contract markets, approximately 260 brokerage firms registered as futures commission merchants, and about 1,400 registered floor brokers operating on the exchanges.

For the fourth consecutive year, volume of futures trading in regulated agricultural commodities reached an all-time record. The increase over last year's figure was 41.7 percent. Futures transactions during the year ending June 30, 1973, for 21

commodities totaled 17.8 million contracts and were valued at an estimated \$268.3 billion. Comparable figures for one year earlier were 12.6 million contracts valued at \$148.0 billion. In all, volume increased during fiscal 1973 for two-thirds of the regulated commodities that were actively traded in the previous year. Four commodities -- corn, cattle, live hogs, and shell eggs -- recorded all-time highs.

Grain Markets -- Activity in the grain markets increased 143 percent this year to 5.6 million contracts or about 31 percent of the total volume for all regulated commodities. In the previous year, grain trades of 2.3 million contracts represented 18 percent of the year's volume. Corn futures, posting a record high of 3.5 million contracts, ranked second only to soybeans in market activity. The previous record of 2.7 million contracts was set in fiscal year 1971. In the wheat market, number of transactions climbed from .7 million contracts in fiscal 1972 to 1.9 million this year. This represented the highest level of trading since FY 1967 when 2.1 million transactions occurred. At the Board of Trade of Kansas City, Mo., volume in wheat set a record high of 0.4 million contracts traded, nearly doubled the previous record of FY 1968. Trading in oats also gained, reversing its downtrend of prior years with a 96 percent increase in volume.

Livestock Complex -- In the livestock and livestock product commodities, cattle and live hog futures set volume records of 2.1 and 0.8 million contracts, respectively. With the 119.8 percent increase in trading activity, volume in the cattle market surpassed that of the consistently high pork belly futures for the first time. Trading in bellies decreased about 20 percent from last year's 2-million contracts. In all, livestock and livestock product trades accounted for 26.8 percent of the year's volume, as compared to the 27 percent of one year earlier.

Soybean Complex -- Trading in soybeans and soybean products registered a net gain of 4.7 percent. The 6.1 million contracts traded in these commodities accounted for 34 percent of this year's record volume as compared to 46.2 percent of last year's. Volume in soybeans, still the most active commodity, was down 6 percent from last year's record 3.96 million contracts. The 1.64 million trades in soybean oil represented an increase of 22 percent over volume in FY 1972. This was just short of the futures high of 1.67 million contracts traded during FY 1970. Volume in soybean meal was up 49 percent from last year's figure.

Other Markets -- Shell eggs and potatoes more than doubled their trading volume of the previous year. The previous record for volume in shell eggs set in FY 1970 was exceeded by the .66 million transactions this year. Volume in the cotton futures market continued to gain this year. The .434 million transactions represent an increase of 6 percent over last year's .411 million contracts. Trading in wool also became more active this last year. Total volume for FY 1973 was 4,811 contracts as compared to 3,157 for FY 1972. Coconut oil, trading for the first time this year, had a volume of 6,150 contracts.

1. Registration and auditing of brokerage houses. -- This consists of (a) protection of customer's funds through the establishment and enforcement of minimum financial standards for futures commission merchants and periodic audits of their books and records, and (b) annual registration of futures commission merchants and floor brokers.

REGISTRATION AND AUDITS

	1973 <u>actual</u>	1974 <u>estimate</u>	1975 <u>estimate</u>
Audit of customers' segregated funds.....	178	190	190
Accounts examined.....	68,676	70,000	70,000
Financial statements examined.....	954	900	850
Financial requirements audits.....	75	75	75
Futures commission merchants registered.....	250	260	260
Floor brokers registered.....	1,357	1,400	1,400

2. Supervision of futures trading. -- This activity develops information and economic evidence for the prevention of price manipulation and market corners, controls excessive speculation by enforcement of limits on trading and positions, detects false and misleading market information affecting prices, and disseminates reports and statistics on trading and special futures market situations.

REPORTS TABULATED AND ANALYZED

	<u>1973</u> <u>actual</u>	<u>1974</u> <u>estimate</u>	<u>1975</u> <u>estimate</u>
Daily trading volume and open contracts.....	191,952	220,000	230,000
Daily and weekly reports of large traders.....	411,625	420,000	430,000
Delivery notices.....	69,768	80,000	85,000

3. Investigations. -- Apparent or alleged violations of the law and regulations are investigated. The Authority also prepares and presents evidence of violations in administrative hearings and judicial proceedings. Investigations are made to determine whether exchanges are enforcing their trading rules and contract terms as required by the Act.

INVESTIGATIONS AND PROCEEDINGS

	<u>1973</u> <u>actual</u>	<u>1974</u> <u>estimate</u>	<u>1975</u> <u>estimate</u>
Compliance investigations completed.....	99	123	141
Criminal prosecutions instituted.....	3	1	1
Administrative proceedings instituted.....	23	15	20

JUSTIFICATION OF INCREASES

- (1) An increase of \$850,000 for Administration of the Commodity Exchange Act consisting of:

GSA Space rental costs.....	+\$204,000
Annualization of pay cost increases	
effective in fiscal year 1974.....	+42,000
Protect public interest and supervise	
commodity futures markets and handle	
increased number of complaints (\$1,779,000	
available in 1974).....	+604,000

Need for Increase

In responding to unprecedented world-wide demand for the more limited supplies of basic agricultural commodities, commodity futures markets are experiencing:

- (a) an increase in the number and complexity of price-making forces,
- (b) increases in prices to record levels,
- (c) increased volatility of prices,
- (d) increases in volume of trading to record levels, and
- (e) increases levels of open contracts.

These developments reflect the changing nature of agricultural commodity markets from one of surpluses in storage to one of a market-oriented economy

responsive to competition on a world-wide basis. In this new environment, futures markets play an increasingly important role in the pricing and marketing of commodities. To help the commodity futures markets fill their proper role in the new market-oriented economy, it is critical that CEA (1) expand its market surveillance efforts and its efforts to prevent and prosecute price manipulation, (2) intensify its program to protect market users through the medium of contract markets rules and their enforcement, and (3) handle promptly the increased number of customers complaints and expand its investigation of trading practices.

Plan of Work

	1975	
	<u>Dollars</u>	<u>Man-Years</u>
(1) To expand market surveillance and the prevention and prosecution of price manipulation.....	\$396,000	20
(2) To intensify program to protect market users through the medium of contract market rules and their enforcement....	104,000	4
(3) To handle promptly the increased number of customer complaints and to expand investigations of trading practices.....	<u>104,000</u>	<u>5</u>
Total.....	<u>604,000</u>	<u>29</u>

The changes in program accountability factors to reflect the increased surveillance and enforcement made possible by the additional personnel and funds are shown below:

<u>Program Results and Accountability Factors:</u>	<u>FY 1974 Estimate</u>	<u>FY 1975 Estimate</u>	<u>Change</u>
Numbers of contracts traded (in millions).....	19.3	20.9	+1.6
Number of contract markets regulated:			
Exchanges.....	18	17	-1
Commodities.....	21	21	-
Markets.....	31	31	-
Number of registrations:			
Brokerage firms.....	250	260	+10
Floor brokers.....	1,400	1,440	+40
Number of audits completed:			
Segregated funds.....	190	190	-
General.....	75	75	-
Number of investigations completed.	123	141	+18
Complaints issued.....	15	20	+5

A major part of the additional resources will be in market surveillance and prevention of price manipulation. Investigations and other surveillance activities will be carried on at a higher level which will assure compliance with the law.

COMMODITY EXCHANGE AUTHORITY

STATUS OF PROGRAM

The basic function of the Commodity Exchange Authority is to preserve the pricing and hedging services of the commodity futures markets. These services are widely used by farmers, merchandisers and processors, and affect prices paid by consumers. The Agency works to insure open, fair, and competitive trading in futures contracts on commodity exchanges, to prevent price manipulation, and to protect persons trading in futures markets from cheating, fraud, and other abusive acts and practices.

Agency Functions: The Commodity Exchange Authority's regulatory activities may be grouped into functional work programs as follows:

1. Daily Market Surveillance Program. This includes the operation of a reporting system on trading operations to provide information on market composition and activity essential to effective regulation, surveillance and analysis of day-to-day market operations, and the enforcement of compliance with reporting requirements and speculative limits.
2. Economic Analysis Program. Includes market-wide position surveys and regulatory analyses and studies to provide comprehensive data on trading in selected commodities for regulatory purposes and for the information of the public. Also included are studies for the purpose of establishing and reviewing limits on speculative positions and volume of speculative trading authorized for large traders.
3. Public Information Program. Includes preparation and publication of recurring statistics, reports, and regulatory analyses and studies on trading operations and developments in futures markets.
4. Contract Market Program. Includes contract market designation, continuing review of exchange rules, surveillance of exchanges' enforcement of their own rules, and the audit of exchange clearing operations.
5. Compliance Program. Includes the conducting of investigations and prosecutions to uncover and deter acts and practices which are in violation of the Commodity Exchange Act or regulations.
6. Registration Program. Involves the determination of the fitness for registration and the registration of futures commission merchants and floor brokers.
7. Segregated Funds Program. Involves the regular audit of the books and records of futures commission merchants in order to determine that customers' margins and equities are being properly protected.
8. Financial Requirements Program. Activities under this program include general audits of the financial condition of futures commission merchants and the analysis of financial statements of futures commission merchants to determine whether they meet minimum financial requirements.

Current Market Activities:

For the fourth consecutive year the volume of futures trading in 21 regulated agricultural commodities reached an all-time record in fiscal 1973. The value of contracts traded in fiscal year 1973 was \$268.3 billion. In fiscal year 1972 contracts valued at \$148.0 billion were traded.

Activity in the grain markets increased 143 percent in fiscal 1973 to 5.6 million contracts or about 31 percent of the total volume for all regulated commodities. Corn posted a record 3.5 million contracts and ranked second only to soybeans in market activity. In the wheat market, the number of contracts increased from 0.7 million in fiscal 1972 to 1.9 million. This represented the highest level of trading

since FY 1967 when 2.1 million contracts were traded. In the livestock and live-stock product commodities, cattle and live hog futures set volume records of 2.1 and 0.8 million contracts, respectively. Trading in soybeans and soybean products registered a net gain of 4.7 percent, and the 6.1 million contracts traded in these commodities accounted for 34 percent of this year's record volume of trading.

Major Program Activities:

1. Daily Market Surveillance Program. A record 17.8 million futures contracts were subject to daily market surveillance in fiscal 1973. Market surveillance consists primarily of analyzing data from daily and weekly reports filed by exchange clearing members, futures commission merchants, large traders, and grain warehousemen.

Surveillance of day-to-day market operations is designed to forestall congestion in the futures markets by spotting developing adverse situations and initiating preventive measures before a market becomes fully disrupted. In fiscal 1973 the Agency identified, traced and analyzed more than a dozen questionable situations pointing to potentially tight markets, particularly during the liquidation period of a contract. Regional directors worked with exchange officials and in some cases with the traders themselves to prevent adverse situations that could interfere with the orderly functioning of the markets. The following are examples of such situations:

Chicago Board of Trade, 1972 July and August soybean meal. Beginning June 1, the CEA notified Chicago Board of Trade officials of the Agency's concern over large long positions in the old and new style July and August contracts. The traders holding these large long positions also owned a large portion of the deliverable stocks of soybean meal. The CEA contacted these traders to determine their intentions regarding the liquidation of their futures positions and to warn them of their responsibilities toward maintaining an orderly market. A formal investigation was initiated prior to the expiration of these futures. Closer analysis of the situation did not reveal evidence sufficient to support charges of price manipulation or of other violations of the Commodity Exchange Act.

New York Cotton Exchange, 1972 October cotton. With open interest in this future considerably in excess of certified cotton stocks, in late August 1972, it was rumored that a number of large longs intended to stand for delivery on the October future. Officials of the CEA promptly informed the exchange of the Agency's concern over the possibility of price manipulation and a disorderly market. Letters were also sent to the largest longs, requesting details of any fixed-price sales commitments they had and of stocks of cotton in their possession which might be used to satisfy those sales commitments. The exchange responded to the CEA's request for action by raising margins for both clearing members and customers during the period of September 13 to 27. The price of the October future declined during the final week of trading, and a manipulative situation was averted.

Chicago Board of Trade, January, March, and May 1973 soybeans. During the first half of 1973 the soybean futures market was characterized by rising and volatile prices--as were many other cash and futures markets for agricultural commodities. In soybean futures the situation was complicated by the presence of several traders holding large long positions. The CEA maintained close surveillance of this market throughout this period. Large traders were advised of their responsibilities toward maintaining an orderly market and were asked to advise the CEA of their intentions with regard to standing for delivery. The exchange, having been kept fully informed of the situation, was also requested to contact the large traders to warn them of the consequences of price manipulation. Investigation of these futures did not disclose any violation of the law.

2. Economic Analysis Program. A number of analytical studies designed to increase the Agency's knowledge of commodity futures trading and improve its regulation of futures trading were completed during fiscal 1973 or were scheduled for completion

in fiscal 1974. These studies were conducted under contractual or cooperative agreement between CEA, the Economic Research Service, and universities. They included:

- (a) Econometric analysis of futures prices for shell eggs and pork bellies, Texas Tech University. The pork belly model is completed, and a technical bulletin has been published by ERS. Some final revisions are being made on the egg model prior to its publication.
- (b) Analysis of egg futures trading and deliveries, University of Missouri. The requirements of this contract have been satisfied. A bulletin is scheduled for publication by the university.
- (c) Effect of futures trading on the structure of the cattle industry, Michigan State University. This project has been delayed because no graduate student was available to work on it. Completion is now scheduled for the second quarter of FY 1974.
- (d) Analysis of fresh shell eggs contract terms and specifications, Michigan State University. This report was completed and published by the university.
- (e) Price analysis of the onion market, University of Wisconsin. This project has been completed, and the report was published by USDA.
- (f) Analysis of the pork belly market, Iowa State University. This report has been completed, and is currently under review.
- (g) Technical study on evaluation of CEA public reporting system and exploration of alternative systems, University of Hawaii. Following the death of Professor Arnold Larson, the project leader, the direction of this project has been assumed by the Economic Research Service. The University's report is now due by the end of FY 1974.

Economic analysis of possible price manipulation. Agency economists developed economic evidence in twelve cases of alleged price manipulation in addition to their surveillance of current market conditions. Three of these investigations are briefly described below:

New York Cotton Exchange 1971-72 cotton crop futures investigation. An investigation and analysis was conducted of the forces which contributed to the 1,000-point rise and the subsequent 630-point decline of New York Cotton Exchange futures prices during the 1971 cotton crop year ending July 30, 1972. Spot prices, which moved sympathetically with futures, were also included in the analysis. The investigation of possible price manipulation was focused on the December 1971 and the March, May, and July 1972 cotton futures. This investigation is nearing completion.

Chicago Board of Trade, 1972 July oats. During the delivery month of this future, a single trader received all deliveries while holding a large portion of the long open interest. The Commodity Exchange Authority discussed the situation with Chicago Board of Trade officials and warned the trader against manipulating the futures price. The chairman of the exchange also contacted this trader, urging him to liquidate. An investigation of possible price manipulation was completed and at yearend was being reviewed in the Washington headquarters of CEA.

New York Mercantile Exchange, 1973 March potatoes. Prior to the expiration of the March 1973 Maine potato future, CEA received complaints that a group of individuals holding long positions in that future were threatening to manipulate the market. The individuals named were warned that creating artificial prices or attempting to do so is a violation of the Commodity Exchange Act. After the March future expired, the CEA received additional complaints that the price of the March future had been artificially high. A formal investigation of possible price manipulation was initiated, and was in progress at fiscal yearend.

Speculative limits on positions in maturing futures. The Agency completed a feasibility study of declining speculative limits on positions in regulated commodity futures contracts during their delivery months. The current speculative limits established by the Commodity Exchange Commission are fixed in terms of units of commodity and do not change throughout the life of a futures contract. The need for speculative position limits which are reduced during the delivery month as total open contracts decline is based on the market power which can accrue to single traders during this period. Empirical evidence of this potential power to disrupt markets has been provided by CEA investigations of alleged price manipulation. This completed study was awaiting review in Washington at the end of the fiscal year.

3. Public Information Program. A major function of the Commodity Exchange Authority is the provision of information regarding trading operations and contract markets to the public. The following recurring statistical reports were prepared and provided to the public during fiscal 1972: (a) Daily releases of volume of trading and open contracts for commodities traded; (b) Weekly releases on stocks of grain in deliverable position; (c) Weekly releases on "On Call" positions in spot cotton based on New York cotton futures; (d) Monthly reports of commitments of traders on principal markets; (e) Monthly commodity futures statistics, containing basic futures trading data on all regulated commodities.

Names of reporting traders in wheat futures on the Kansas City Board of Trade. Names and addresses of reporting traders in wheat futures on the Kansas City Board of Trade during the period of July 1 through August 15, 1972, were provided to the Committee on Government Operations, Senate Permanent Subcommittee on Investigations, U. S. Senate, on June 13, 1973. Data concerning futures transactions and positions of each of these traders were included. This information was submitted in accordance with section 8 of the Commodity Exchange Act, which requires the Department, upon request of any committee of either House of Congress, acting within the scope of its jurisdiction, to furnish and make public the names and addresses of traders.

Trading in futures contracts on Chicago Board of Trade. The Agency completed work on a publication, "Trading in Commodity Futures Contracts on the Chicago Board of Trade - A study of the Sources and Distributions of Volume of Trading and Commission Income." The 64-page survey report, the first of its kind by CEA was released in July 1973.

4. Contract Designation Program.

Contract Market Designations. The Pacific Commodities Exchange, Inc., San Francisco, California, was designated as a contract market for coconut oil on August 1, 1972, and for shell eggs on February 3, 1973. Pending at yearend were applications from the Pacific Commodities Exchange, Inc., for designation as a contract market for live cattle and one from MidAmerica Commodity Exchange for designation as a contract market for live hogs. At the request of the New York Produce Exchange, all of its designations as a contract market were vacated effective on May 10, 1973.

Contract Market Rule Enforcement. During fiscal 1973 a regulation was drafted which proposes to establish requirements for contract market rule enforcement. The need for such a regulation stems from the passive attitude exchanges have taken in enforcement of their rules. At yearend this proposed regulation was being prepared for publication in the Federal Register.

Audits of Exchange Clearinghouses. All clearinghouses except that of the MidAmerica Commodity Exchange were audited in fiscal 1973. The major problem encountered was the Chicago Board of Trade Clearing Corporation's denial that it was a depository of customers' funds. After a series of meetings between Agency officials, clearing corporation officials, and officials of banks which received customers' funds in the form of clearinghouse deposits, it was agreed that the banks involved would make the necessary acknowledgements and maintain the necessary records so that the clearinghouse deposits of customers' funds are clearly distinguished.

5. Compliance Program. The Agency's compliance efforts in fiscal 1973 were highlighted by a substantial increase in the number of administrative and criminal proceedings initiated and completed. At the same time the number of investigations completed remained at approximately the same level as the previous year. There was an increase in the number of open administrative cases and investigations pending review at the headquarters level at the end of the year. The Agency took action on 306 compliance matters during fiscal 1973. They were disposed of as follows: 99 by investigation, 78 through Agency complaint handling procedures, and 129 by other means.

Investigations

<u>Fiscal 1972</u>		<u>Fiscal 1973</u>	
<u>Closed</u>	<u>Pending</u>	<u>Closed</u>	<u>Pending</u>
106	36	99	36

The 99 compliance investigations closed included 8 involving possible price manipulation, 11 trade practice type investigations and 80 general investigations. Thirty-two of the 99 investigations revealed evidence of violation of the Act or regulations. As a result of these investigations, a record 23 administrative proceedings and 3 criminal proceedings were initiated during the year. In addition, five stipulations of compliance were obtained. At yearend one request for preparation of a complaint was pending in the Office of the General Counsel and five matters were in the hands of the Department of Justice for prosecutive consideration. The major violations involved in these 32 investigations were as follows: Price manipulation, 3; cheating, fraud and deceit, 6; failure to properly handle customers' funds, 6; failing to meet minimum financial requirements, 3; speculative limit violations, 4; floor trade practices, 2; and miscellaneous, 8.

The Agency's increased workload with respect to administrative and criminal proceedings is reflected in the following:

PROCEEDINGS

<u>Fiscal 1972</u>			<u>Fiscal 1973</u>		
<u>Initiated</u>	<u>Completed</u>	<u>Pending</u>	<u>Initiated</u>	<u>Completed</u>	<u>Pending</u>
<u>Administrative</u>					
17	10	12	23	15	20
<u>Criminal</u>					
2	0	3	3	5	1

Administrative Proceedings. The most significant development in connection with the Agency's administrative proceedings during this fiscal year was the Decision and Order issued by Judicial Officer Donald A. Campbell on March 8, 1973, in the George Rex Andrews case (CEA Docket No. 195). The Decision and Order stated in part, "Sanctions previously imposed under the Commodity Exchange Act will no longer be regarded as relevant." He further stated that more severe sanctions were necessary to serve as a deterrent to future instances of violation. This decision supported that Agency's long-standing recognition of the need for more severe sanctions. As a result of this new posture, there undoubtedly will be fewer settlements as more respondents contest CEA's cases in an attempt to avoid the heavy penalties for violation.

Another significant administrative action occurred on June 18, 1973, when the Commodity Exchange Commission issued a complaint in CM Docket No. 102 charging that the Chicago Board of Trade failed to enforce its financial requirements rules as to Rice Commodities, Inc. This is the first action against an exchange since 1956.

Criminal Proceedings. Three criminal proceedings were instituted during fiscal 1973. They involved conversion of customers' funds to one's own use, undersegregation, and mishandling of customers' funds. Five proceedings were concluded. A case against "Q" Commodities Company (conversion of customers' funds) was concluded when the Agency was advised on June 13, 1972, that Mr. Kermit W. Quaintance was placed on probation and fined \$3,000. The case involving John P. Bauer and Bauer International Corporation (price manipulation) was terminated on October 2, 1972, when Mr. Bauer received a 60-day jail sentence. Mr. Roy Simmons of Chicago was fined \$15,000 and placed on probation for one year for violation of speculative limits and filing false reports. Mr. Marvin Sperling was placed on probation for a period of one year for conversion of customers' funds, and Thomas Bermingham and Paul L. Khanton each received one year probation after being charged with mishandling of customers' funds.

6. Registration Program. During fiscal 1973, 250 futures commission merchants, with a total of 2,433 branch offices and 459 agents, were registered under the Commodity Exchange Act. A total of 1,357 floor brokers were also registered during this period. Registration fees collected amounted to \$42,750 of which \$21,990 was received from futures commission merchants and \$20,760 from floor brokers.

There were 2,904 fitness checks of floor brokers and futures commission personnel completed in fiscal 1973, compared with 2,101 fitness checks the previous year. Two hundred fifty-three of these checks disclosed derogatory information of various degrees. In 25 instances special investigations were conducted on individuals to obtain specific information on charges, findings and convictions. As the result of information disclosed, the Agency objected to the employment of two individuals by futures commission merchants and refused to process the application of another individual.

7. Segregated Funds Program. The Agency conducted 178 segregation audits of futures commission merchants during fiscal 1973 to determine that protection was being provided for customers' funds. Agency auditors examined a record total of 68,676 customers' accounts with equities of \$303,060,116 in conducting both segregation audits and general audits, the latter under the Agency's financial requirements program. Included among the segregation audits were audits of two brokerage firms that experienced special difficulties during the year. One of these firms was in poor financial condition and went into receivership. The other firm, with serious record-keeping violations, was taken over by another firm.

8. Financial Requirements Program. The Agency conducted 75 general audits under its financial requirements program during fiscal 1973. At the same time, close surveillance was maintained over the financial condition of several brokerage firms which had been adversely affected by the decline in the securities business. One hundred sixteen CEA forms 1-FR, Statement of Financial Condition, completed by brokerage firms were received and reviewed. In addition, a general review was made of 784 financial questionnaires and a detailed review was made of 54 financial questionnaires from members of commodity exchanges with financial requirements programs approved by the Secretary of Agriculture. Questionable items on the questionnaires were referred to the exchange concerned for clarification and/or explanation.

9. Exchanges Supervised and Commodities Regulated. During fiscal 1973 the Commodity Exchange Authority supervised futures trading on 11 active commodity exchanges. The trading was conducted in 31 separate contract markets and involved 21 different commodities. Ten other exchanges maintained their designations as contract markets, but had no futures trading. The exchanges and commodities traded during fiscal 1973 are summarized as follows:

<u>Exchange</u>	<u>Regulated Commodity</u>
Chicago Board of Trade.....	Wheat, corn, oats, soybeans, soybean oil, soybean meal
Chicago Mercantile Exchange.....	Grain sorghums, eggs (frozen and shell), potatoes, live beef cattle, live feeder cattle, live hogs, frozen pork bellies.

Citrus Associates of the New York	
Cotton Exchange, Inc.....	Frozen concentrated orange juice
Commodity Exchange, Inc.....	(No futures trading in 1972-73)
International Commercial	
Exchange, Inc.....	Cottonseed oil
Kansas City Board of Trade, Inc..	Wheat, grain sorghums
Memphis Board of Trade Clearing	
Association.....	(No futures trading in 1972-73)
Merchants' Exchange of St Louis..	(No futures trading in 1972-73)
MidAmerican Commodity Exchange...	Wheat, corn, oats, soybeans
Milwaukee Grain Exchange.....	(No futures trading in 1972-73)
Minneapolis Grain Exchange.....	Wheat
New Orleans Cotton Exchange.....	(No futures trading in 1972-73)
New York Cotton Exchange.....	Cotton
New York Mercantile Exchange.....	Potatoes (Maine and Idaho russet),
	imported frozen boneless beef,
	butter
New York Produce Exchange**.....	(No futures trading in 1972-73)
Northern California Grain	
Exchange.....	(No futures trading in 1972-73)
Pacific Commodities Exchange,	
Inc.....	Coconut oil,* shell eggs*
Portland Grain Exchange.....	(No futures trading in 1972-73)
Seattle Grain Exchange.....	(No futures trading in 1972-73)
Wool Associates of the New York	
Cotton Exchange, Inc.....	Wool

* New contract market in fiscal year 1973.

** Designations vacated at own request on May 10, 1973.

For FY 1974 the Commodity Exchange Authority estimates obligations and man-years in the following geographic locations:

	Obligations (in thousands)	Man-Years
California.....	\$8	.5
District of Columbia.....	685	26.0
Illinois.....	1,670	90.5
Missouri.....	223	13.0
New York.....	873	50.0
Total.....	<u>3,459</u>	<u>180.0</u>

Workload data on major activities of the Commodity Exchange Authority

		1971	1972	1973	1974	1975
I. Registration and Audit:						
Audits of customers segregated funds.....		295	188	178	190	190
Accounts examined.....		42,828	63,716	68,676	70,000	70,000
Financial statements examined.....		204	645	954	900	850
Financial requirements audits.....		49	68	75	75	75
Futures commission merchants registered.....		355	274	250	260	260
Floor brokers registered.....		1,168	1,266	1,357	1,400	1,440
Fitness checks of individuals in commodity trade.....		2,059	2,101	2,904	1,850	900
II. Supervision of Futures Trading:						
Market and commodities						
Exchanges.....		20	20	20	18	17
Commodities.....		20	17	21	21	21
Markets (4 wheat, 3 corn, etc.).....		34	32	31	31	31
Number of contracts traded (millions).....		11.8	12.6	17.8	19.3	20.9
Number of monthend open contracts in terms of contract units - annual average (thousands).....		270.8	256.8	341.2	397.6	430.5
Reports tabulated and analyzed						
Daily trading and open contracts (thousands).....		207.7	203.3	191.9	220.0	230.0
Daily and weekly reports of large traders (thousands).....		462.1	392.1	411.6	420.0	430.0
Average daily reports received from large traders (thousands).....		1.3	1.4	1.6	1.5	1.5
Weekly stock reports on grains received from warehouses (thousands).....		6.2	5.5	6.4	6.5	7.0
Delivery notices (thousands).....		76.0	113.4	69.8	80.0	85.0
Special calls and surveys.....		2	1	0	1	1
Number of traders included (thousands).....		3.6	.8	0	2.5	1.4
III. Investigations and Proceedings:						
Compliance investigations completed.....		79	106	99	123	141
Criminal prosecutions instituted.....		1	2	3	1	1
Administrative proceedings instituted.....		2	17	23	15	20

PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Packers and Stockyards Administration was established by Secretary's Memorandum No. 1613, Supplement 1, of May 8, 1967. The Agency administers the Packers and Stockyards Act of 1921, as amended, as well as the Truth-in-Lending Act and the Fair Credit Reporting Act as these statutes relate to persons and firms subject to the Packers and Stockyards Act. The main objective of the Act is to assist in the maintenance of fair competitive practices in the marketing of livestock, meat, and poultry.

The programs of the Packers and Stockyards Administration are aimed at assuring fair play in the marketing of livestock, meat and poultry. The principle purpose is to maintain fair competition so as to bring to farmers and ranchers the true market value of their livestock and poultry. Consumers and members of the livestock, meat and poultry industries are also protected against unfair business practices which could unduly affect meat and poultry prices.

These functions are carried out through a Washington, D. C. office, and 13 field stations located in Atlanta, Georgia; Springfield, Illinois; Denver, Colorado; Fort Worth, Texas; Lawndale, California; Indianapolis, Indiana; Kansas City, Missouri; Memphis, Tennessee; Newark, New Jersey; Portland, Oregon; Omaha, Nebraska (sub-station in Sioux City, Iowa); St. Paul, Minnesota; and Arlington, Virginia.

Available Funds and Man-Years
1973 and Estimated, 1974 and 1975

Item	Actual	Estimated	Budget Estimate
	1973	Available, 1974:	1975
	Amount	Man-Years	Man-Years
Packers and Stockyards			
Administration.....	\$4,054,650	192	\$4,322,650: 195
			\$4,625,650: 201

End-of-Year Employment:	1973	1974	1975
	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
Permanent full-time	188	190	196
Other.....	4	4	4
Total	<u>192</u>	<u>194</u>	<u>200</u>

PACKERS AND STOCKYARDS ADMINISTRATION

Appropriation Act, 1974	\$4,054,650
Budget Estimate, 1975	<u>4,625,650</u>
Increase in Appropriation	+571,000

Adjustments in 1974:

Appropriation Act, 1974	\$4,054,650	
Transfer to General Services Administration		
for rental of space.....	-8,000	
1974 Supplemental Appropriation for pay costs	<u>+276,000</u>	
Adjusted base for 1975.....		4,322,650
Budget estimate, 1975		<u>4,625,650</u>
Increase over adjusted 1974		+303,000

SUMMARY OF INCREASES (On basis of adjusted appropriation)

	1974	Increase	1975 Estimate
Livestock marketing practices.....	\$2,029,000	+\$103,000	\$2,132,000
GSA Space rental costs.....	- -	+143,000	143,000
Annualization of the pay cost increase effective in FY 1974.....	276,000	+57,000	333,000
All other.....	<u>2,017,650</u>	- -	<u>2,017,650</u>
Total available.....	<u>4,322,650</u>	<u>+303,000</u>	<u>4,625,650</u>

PROJECT STATEMENT (On basis of adjusted appropriation)

Project	1973	1974 :(estimated):	Increase	1975 :(estimated)
1. Administration of the Packers and Stockyards Act.....	\$3,863,806	\$4,322,650	+\$303,000(1)	\$4,625,650
Unobligated balance.....	190,724	- -	- - -	- -
Total available or estimate.....	<u>4,054,530</u>	<u>4,322,650</u>	<u>+303,000</u>	<u>4,625,650</u>
Transfer to GSA.....	+8,120	+8,000		
Proposed supplemental for pay increase costs.....	- -	-276,000		
Total, appropriation.....	<u>4,062,650</u>	<u>4,054,650</u>		

EXPLANATION OF PROGRAM

The Packers and Stockyards Administration administers the Packers and Stockyards Act (7 U.S.C. 181-229); Truth-in-Lending Act (15 U.S.C. 1601 et seq) with respect to livestock, meat and poultry dealers; and the Fair Credit Reporting Act (15 U.S.C. 1681 et seq). The programs maintain effective competition and fair trade practices in livestock, meat, and poultry marketing to assure that farmers and ranchers receive the true market value of their products, and that as patrons of public markets they are provided equal and efficient services and facilities at reasonable rates.

There are 2,019 stockyards posted under the Act. Of these, 1,983 are auction markets and 36 are terminal markets selling at private treaty; 15,167 persons and firms are registered as market agencies and dealers. There are approximately 3,600 meat packers and 1,000 poultry dealers and processors whose operations are subject to the Act.

According to 1969 agricultural census data, livestock was being produced on 1.9 million farms in the United States. Chickens were sold on 151,000 farms and turkeys were sold on 5,425 farms that had total annual sales of \$2,500 or more.

Livestock and poultry transactions subject to the Act total approximately \$24 billion and \$2 billion, respectively, each year. This is about 43 percent of the cash income of U.S. farmers. Over \$27 billion in meat and dressed poultry transactions annually are also subject to regulation.

The principal activities carried out in administering the Act are:

1. Investigation of packer meat merchandising and chain store buying practices in order to maintain prices established by fair and competitive marketing practices and conditions.
2. Investigation of livestock procurement methods by packers and dealers to assure that unfair trade practices detrimental to producers and the industry are not in use.
3. Surveillance of marketing methods at public markets to foster and maintain fair and effective competition.
4. Investigation of complaints regarding poultry marketing practices to identify and correct those which are injurious to producers and operators in the industry.
5. Carrying out weighing investigations to eliminate false and careless weighing to the maximum extent possible.
6. Investigation of custodial accounts to determine that shippers' proceeds are safeguarded and otherwise handled in conformance with existing regulations.
7. Investigation of financial condition of registrants and others subject to the Act to determine that they are financially sound and capable of meeting their obligations, and requiring bonds of auction operators, commission firms and dealers.
8. A poultry scale testing program and extension of livestock and monorail scale testing efforts to assure accurate scale facilities.
9. Study of services and facilities at public markets to determine that they are adequate.
10. Review of stockyard rates to determine that they are reasonable and commensurate with the services and facilities provided.
11. Investigation and providing for hearings and settlement of reparation complaints for money damages.
12. Registration of dealers and market agencies and posting stockyards.

PACKERS AND STOCKYARDS ADMINISTRATION
Work Activities and Budget Outlays, F.Y. 1973

WORK ACTIVITY	Investigations and Audits		Negotiated Settlements	Formal Actions	Outlays ¹	
	Field	Mail/Phone			Manyears	Dollars
PACKER AND POULTRY						
Packers required to file annual reports . . .						
Packer annual reports reviewed						
Livestock Procurement	257	149	27	2	17.09	\$ 330,940
Meat Merchandising	132	123	31	18	11.52	225,590
Poultry Marketing	129	80	10	8	6.32	122,474
				3		
LIVESTOCK MARKETING						
Marketing Practices	1,296	748	327	66	43.45	\$ 859,177
No. of market reviews completed						
Formal repARATION awards	-	-	-	-	-	--
Rates, Services and Facilities	158	130	10	4	12.98	248,670
Adjustments in proposed rate increases . . .	-	-	-	-	-	--
Registrations, Bonds and Reports	670	1,127	7	71	38.96	534,938
Yards posted						
Market agencies & dealers registered						
Annual reports reviewed (stockyards, market agencies, dealers)						
Registration & bonding actions completed . .						
Recoveries on bonds	-	-	-	-	-	--
Scales and Weighing	481	365	16	10	17.34	377,844
Scale test reports reviewed						
ADMINISTRATIVE OVERHEAD AND LEAVE						
(Annual leave - 15.39 MY, Other leave - 14.85 MY)					44.34	\$1,022,972
TOTALS	3,123	2,722	428	182	192.00	\$3,722,605

¹Inputs are reflected as outlays rather than obligations because Office of Management Services, Division of Budget and Finance, records are maintained on an expenditure rather than obligation basis. The corresponding June 30, 1973, obligation total (preliminary) was \$3,858,221. A breakdown of this figure by work project is not currently available.

The Agency made a survey during the year to ascertain the average cost of a representative investigation. The sampling included the last 114 investigations initiated and completed during the fiscal year. All Area Offices participated in the survey. The investigations were not selected as to type. The average cost determined was \$761.95. Based on the number of head of livestock marketed in transactions subject to the Act in 1971 as compared to available funds to administer the Act the cost of administration was slightly less than 2¢ a head.

JUSTIFICATION OF INCREASE

- (1) An increase of \$303,000 for Administration of the Packers and Stockyards Act consisting of:

(a) GSA Space rental costs	\$143,000
(b) Annualization of pay cost increases effective in 1974....	57,000
(c) Packer feeding and scales programs (\$563,000 available in 1974).....	103,000

Need for Increase: There are two areas critically in need of more intensive supervision. The first includes packer custom feeding, marketing and selling livestock to competitor buyers. The second is weighing of livestock and meat. Our existing resources should be increased by \$103,000 and 6.0 man-years in fiscal year 1975 to cope with existing exigencies in these marketing areas.

The meat packing industry is expanding into livestock feeding on a custom basis. The feedlots have become the major channel for marketing fed cattle. With control of custom feedlots, the packers are capable of controlling and owning the marketing facilities for livestock as well as the selling and buying operations and related marketing services. Control of the marketing facilities and sale of livestock to competitor packers has an adverse effect on the producer and consumer by the elimination of competition and control of supplies. This results in lower prices to livestock producers and higher prices to consumers. Some 154,000 feedlots were reported in business in 1972. There were 59 feedlots with a capacity greater than 32,000 head of livestock and more than 4 1/4 million head of livestock were marketed in 1972 from those feedlots. Almost 14 million head of livestock were marketed through 711 feedlots with a capacity greater than 4,000 head. The custom feedlot operators provide buying services, facilities, feeding services and selling services for investor feeders. They also handle substantial sums of money involved in the sale of fed livestock. The increase will allow us to see that the custom feedlot operator engaging in such market agency or dealer activities is registered and required to adhere to the same trade practice and financial standards as other market agencies and dealers.

The other area for which the increase is requested is scales and weighing. To fulfill this responsibility, we presently conduct two major activities: (1) scale testing and (2) weighing investigations.

In 1972, there were 5,332 livestock scales subject to the Act used to weigh livestock. During the year, 99.8 percent of these scales were tested and 20.1 percent were found to be inaccurate. State and local weights and measures officials conducted 53.8 percent of the scale tests and 46.2 percent were made by private testing agencies. Personnel of this agency supervised only 6.5 percent of the tests made by weights and measures officials and 2.6 percent of the tests conducted by private agencies. In 1972, 473 monorail scales were used by meat packers to purchase livestock on a carcass weight basis. During the year, 99.6 percent of the scales were tested and 40.6 percent were found to be inaccurate. The monorail scale testing program differs from the livestock scale program in that approximately 70 percent of the testing is done by scale service companies and scale owners. Agency personnel supervised only ten percent of the monorail scale tests made during the year.

In 1972, 391 weighing investigations were conducted either by checkweighing or by the direct sale method at 359 firms. Evidence of false weighing was found at 86 firms, or 24.0 percent. Checkweighing investigations were conducted at 325 firms. Evidence of false weighing was found at 74 firms, or 22.8 percent. One hundred twelve firms were checkweighed for the first time. Evidence of false weighing was found at 24 markets, or 21.4 percent. There are still 702 auctions that have never been checkweighed. The direct sales method is employed where checkweighing investigations cannot be conducted effectively. In 1972, 51 direct sales investigations were conducted at 34 firms. Evidence of false weighing was found at 12 firms or 35 percent.

In 1968, a regulation was issued to assure producers accurate weights and accounting when selling livestock to packers on a grade and weight basis which included 6.5 million cattle and 4.5 hogs in 1971 with market values of \$2,124 and \$214 million, respectively. Currently, only an approximate 56 percent of the industry is in full compliance with the regulation. The increase requested will allow us to increase our surveillance of these activities and to take action to assure compliance with fair market practices in these areas.

Plan of Work: The Agency will immediately initiate investigations to identify and stop packers operating feedlots from selling to other packers and embark on a program to review the activities of approximately one-half of the custom feedlots engaged in market agency or dealer activities to determine if they are subject to the Act, and thus should be registered, bonded and otherwise brought into compliance.

With respect to both livestock and monorail scales, more tests will be undertaken to identify and direct the adjustment of faulty equipment. More investigations are planned of selected stocker-feeder dealers to determine if the ultimate buyer receives proper accounting and accurate weighing. More frequent and extensive surveillance will foster compliance with the grade and weight regulation and reduce the excessively high indicia of false weighing. The investigative program including examination of books and records to determine accurate weighing from the realistic shrink of carcasses from hot to cold weights should be accelerated.

Six additional employees and man-years are needed to carry out the program improvements for which the increase is requested. The major costs are salaries, personnel benefits and travel.

STATUS OF PROGRAM

Current Activities: The Packers and Stockyards Act, 1921, as amended (7 U.S.C. 181-229), is designed to assure free and open competition, and fair trade practices in the marketing of livestock, live poultry, meat and dressed poultry. The major objectives of the Act are to protect producers and consumers against unfair business practices in the marketing of livestock, meat and poultry, and members of the livestock marketing and meat and poultry industries against unfair, deceptive, discriminatory and monopolistic practices of competitors.

These industries are continuing to undergo vast changes in marketing structure including concentration of buying power, new merchandising and pricing practices, and new procurement methods. These activities are investigated and their economic effect upon competitive conditions in the livestock, poultry and meat industries are evaluated to determine their compliance with the Act.

Investigations are conducted to determine that packers' livestock procurement practices, meat merchandising methods, and chainstore buying practices do not involve proscribed malpractices. Through the use of required annual and special reports, as well as audits, the financial stability of these organizations is determined to guard against loss to persons and firms dealing with them. When violations are established, procedures to obtain cease and desist orders are initiated to prevent future violations.

Operations of stockyards, livestock market agencies, and dealers are investigated and audited to assure that their business practices are fair and in free open competition; that they are financially sound; and that adequate services and facilities are furnished by stockyards and market agencies at reasonable and nondiscriminatory rates and charges.

To assure accurate weights, the Department also supervises the testing, maintenance, and operations of scales used in transactions subject to the Act. The Department conducts a checkweighing program to determine if the scales are being used honestly. This involves reweighing livestock after it has been weighed at a market or selling preweighed livestock to a packer or dealer.

The law also provides for the Department to investigate claims for money damages and to issue a money award to anyone injured financially as a result of a violation by a stockyard owner, market agency, or dealer.

Selected Examples of Recent Progress:

1. Complaints and Formal Cases: The Agency received 3,047 complaints during fiscal year 1973. An aggregate amount of \$2,551,381 was paid to 300 complainants in informal settlements and \$119,924 was awarded to complainants in 21 formal reparation cases. Formal actions were initiated in 227 cases. At the end of the year 151 formal cases were pending. One hundred eighty-eight formal cases (reparations, civil, criminal and administrative) were completed.

2. Investigations and Audits: The Agency conducted 5,845 investigations and audits in fiscal year 1973. Field investigations and audits numbered 3,123. In addition, 2,722 investigations were conducted by mail and telephone.

3. Federal-State Relations: In recent years the Administration has developed an effective cooperative program with the States. Under this program the States have assisted the Agency in carrying out such activities as scale testing, checkweighing, and licensing and bonding. The Administration, as of June 30, 1973, had 58 Federal-State agreements with 60 agencies in 47 States. In the last and current fiscal years, the Agency has assisted several States in implementing acts or amendments to existing laws relating to licensing, bonding and financial responsibility.

4. Financial Protection Program: The Agency continued to give close attention to the financial condition of registrants. Forty-seven administrative proceedings involved insolvency, improper handling of custodial accounts, or failure to pay for livestock. A review of annual reports showed 315 registrants had inadequate working capital totaling more than \$7,582,000. The Agency's program directed toward voluntary compliance resulted in additions of working capital amounting to \$7,238,000. The Administration maintained a vigorous program to insure the integrity of custodial accounts. The special report procedure continued to be an important tool in the custodial account program. During the year 2,104 of these reports were reviewed with \$3,418,000 added to the accounts to assure payment to livestock sellers.

During the year the Agency processed 97 claims amounting to \$1,693,165 against the bonds of 35 registrants and two packers. The claims against 11 of the registrants were resolved with payment of \$65,403. In addition 1,147 claimants collected \$562,991 during the fiscal year on claims filed prior to July 1, 1972. The 10 claims against packers totaled \$50,704 with the claimants receiving \$35,998. At the close of the fiscal year there were claims pending against the bonds of 81 registrants.

5. Livestock Marketing Activities: Continued emphasis was given to investigating and seeking correction of fraudulent practices in the sale of feeder cattle. Cases involving sale of cattle to feedlot operators on the basis of false weights and prices were investigated and corrective action obtained. In the Texas area alone, eight formal actions resulted from investigation of stocker feeder dealers. In most cases false records were involved with price markups in transactions purported to be on a commission or order buying basis.

The auction market review program was continued in 25 states. Surveys of 355 markets were conducted. These surveys are one-day reviews of the business and operating practices of the firms to determine their compliance with the Act. The firms are generally put on notice of any illegal practices found. Similar market reviews were conducted at two terminal markets.

6. Analysis of Industry Organization and Practices: The Agency's Industry Analysis Staff continued its appraisal and review of the economic significance of changing market structures and the economic effects of various forms of market behavior and trade practices in the livestock, meat and poultry industries.

Review of procurement practices by meat packers indicates significant changes in market channels and pricing methods. Decreasing importance of terminal markets is continuing. Direct sales to packers are more important for fed steers and heifers than they are for hogs. Important

differences were noted among major regions of the country in market channels for slaughter livestock. Grade and weight transactions are quite common in cattle (20 percent of total purchases, compared with only about 6 percent for calves, 5 percent for hogs, and 7 percent for sheep and lambs). Grade and weight outlets are not generally available to producers in many areas--especially for hog producers outside the West North Central region. About 76 percent of total grade and weight purchases of hogs are in the West North Central region. About 37 percent comes for one State--Iowa.

During the year, market concentration on a nationwide basis of the largest slaughtering firms was reviewed. Since the passage of the Packers and Stockyards Act in 1921, the percentages of U.S. slaughter accounted for by the four largest firms have declined from 49 to about 24 percent for cattle, and from 44 to about 33 percent for hogs. For sheep, however, concentration ratios during the 50-year period have increased.

The relevant market for farmers or feeders selling livestock is localized even though the wholesale market for meat is a regional or even a nationwide market. A review of State-level markets and submarkets within a State revealed concentrated procurement markets for lambs, hogs and for fed cattle in many important producing States and nearly all other areas of the country.

The leading beef slaughterer in eight of the ten major beef States had one-fifth or more of the total slaughter. In the top three beef States the leading four firms had over half of the slaughter. The market was even more concentrated in some other leading States and generally dominated by four firms within smaller beef States.

For the ten leading hog slaughter States, the four-firm concentration ratio ranged from 47 percent up to 100 percent. In five of these ten States, the hog procurement was very highly concentrated (four-firm ratio of over 75 percent).

The situation is even worse in lamb procurement. In at least 15 marketing areas or States, the ranking buyer bought more than one-half of the milk-fat lambs. Generally, four firms did all the lamb buying at the local level. The lowest four-firm concentration level was in California where the four leading buyers still purchased about two-thirds of the milk-fat lambs.

A report, The Lamb Industry: An Economic Study of Marketing Structure, Practices, and Problems, was published in May 1973 in cooperation with the Economic Research Service. The study was requested by members of the Congress as a result of concern expressed by ranchers, feeders, and industry groups about some important lamb marketing problems.

The study analyzes the main problems in live lamb marketing--limited competition in selling live lambs. Concentrated buying can result in the ability of buyers to dictate terms of trade and impose discount supplies that are prejudicial to the seller. The study also discusses other problems and some alternative possibilities for farmers to deal with the limited competition problem. These possibilities include group bargaining, telephone auction, and teletype auctions.

7. Packer and Poultry Activities: The meat packing industry continues

to be subject to rapid change, both technically and structurally. Innovations in slaughtering, processing, and marketing have created competitive advantages for some and disadvantages to many inefficient segments of the industry. These changes have motivated complaints to the Agency. Based on these complaints, the Agency ascertains the fairness of new concepts of pricing and marketing arrangements.

Regulation 201.68 has prohibited packers from engaging in any market agency activities. An amendment of that regulation in 1971 precludes livestock dealer activity by any packer, its officers or employees. Meat packers are entering into custom feeding enterprises which furnish market agency, dealer and marketing facilities. Emphasis will be given to correcting these problems on an informal basis but an investigation has been completed and a formal complaint will be issued in the near future against a California packer involved in the ownership of a custom feedlot operation.

An increasing number of major packers are beginning to feed livestock and sell such livestock to competitive packers. This could have a tendency to control prices or supplies of livestock and result in lower prices to livestock producers or higher prices to consumers.

A restriction of competition is being investigated in the Omaha area involving three packers in their purchase of finished cattle from feedlots.

The marketing of livestock for slaughter on a grade and weight basis continues to be an important area of work for the Agency. Investigations of slaughterers continued to be made for possible violations of the Act and regulations related to grade and weight livestock purchases. It is anticipated that formal complaints will be issued involving violations of this regulation. The regulation provides basic safeguards to producers who choose to market their livestock to packers on a grade and weight basis.

Advertising and promotion guidelines were issued during the fiscal year in the form of a Statement of General Policy.

The practice of bait-and-switch advertising continues to be a problem in the meat industry. The Agency has investigated numerous complaints concerning this practice and has assisted state and county agencies in many others.

As a result of a complaint, an investigation was made of a national packer for alleged price discrimination in the sale of processed meats. The investigation report has been referred to the Office of the General Counsel recommending formal action against this firm.

An investigation has been completed of an individual who owns a large dealer firm on a major terminal market and is also chairman of the board, chief executive officer, and president of one of the largest meat packing firms in the country. During this investigation, evidence was developed to indicate that this individual and these firms manipulated prices on which dressed carcass sales were made and supplied competing packers with hogs. Formal action has been initiated as a result of this investigation.

As a result of complaints, investigations have been initiated of alleged

commercial bribery payments to meat buyers of food chains. Considerable evidence has been developed to support the allegations and it is anticipated that formal action will be taken against several firms as a result of these investigations.

The Agency's activities in poultry have continued. Complaints were received involving boycotting of broiler growers by integrated poultry firms, unfair weighing practices, breach of contract, price discrimination, and failure to pay promptly for live poultry purchased.

During the year a new regulation, 201.111 titled "Purchasers to Pay Promptly for Live Poultry Purchases," was promulgated and became effective on March 19, 1973. It provides for payment within five days of slaughter, unless credit terms are agreed upon prior to purchase.

8. Registration Actions: As of July 1, 1972, there were 4,374 persons and firms registered as market agencies and 10,793 registered as dealers under the Act. During the fiscal year ending June 30, 1973, the Registrations, Bonds, and Reports Branch received, reviewed and processed 723 new market agency and 1,316 dealer registrations. The Branch also rendered inactive the registrations of 667 market agencies and 1,094 dealers. At the close of the year there were 4,430 market agency and 11,015 dealer registrations in effect. A total of 15,445 persons and firms are currently registered.

9. Scales and Weighing: The livestock scale testing program continued to show satisfactory progress. This year 11,825 tests were conducted on 5,276 scales as compared to 12,431 tests on 5,332 scales the previous year. The percentage of scales inaccurate in fiscal year 1973 was 18.9 as compared to 20.1 in 1972.

All of the 457 monorail scales used in purchasing livestock on a grade and weight basis were tested in 1973. One hundred sixty eight scales, or 36.8 percent, were inaccurate this year as compared with 191 scales or 40.6 percent last year.

At present 46 of the monorail scales are installed in systems so that the livestock carcasses are weighed while in motion. Since in many instances these scales weigh as many as 8,000 hog carcasses a day, a consistent error of a pound or more can be extremely costly to either the meat packer or the livestock producer.

This year 241 vehicle scales, or 98.8 percent of the scales owned or controlled by subject firms were tested. In addition, about 70 percent of the 105 vehicle scales not owned or controlled by subject firms but used for weighing live poultry were also tested; 75 percent of the vehicle scales were tested twice as required by the regulations.

The program of seeking to reduce the percentage of scales found upon tests to be inaccurate was continued. Tests and maintenance record data indicated that 488 livestock scales and 118 monorail scales were found to be inaccurate too often. These "problem scales" result in inaccurate weighing of livestock and poultry. Since this program was implemented the Agency has given special attention to the problem scales which we believe reflects the decrease in the percentage of inaccurate livestock and poultry scales.

A livestock checkweighing program is routinely conducted on a spot check basis to determine if livestock is accurately weighed. In fiscal year 1973, checkweighing and direct sales weighing investigations were conducted at 315 markets as compared with 359 markets the previous year. Inaccurate weighing practices were found at 66 markets or 20.9 percent of the markets checked. In fiscal year 1972, inaccurate weighing was found at 74 markets or 24 percent. Ten administrative complaints were issued during the year charging false weighing practices and ten decisions and orders issued by the Judicial Officer. In all instances the respondents were ordered to cease and desist from the false weighing practices alleged and in nine cases their registrations were suspended for a substantial period of time. The other order involved a packer which cannot be suspended under the Act.

10. Rates, Services and Facilities: Proposed rate increases from 21 central markets, 25 market agency groups and 242 auction markets were processed. Direct savings to shippers resulted from disapproval of proposed increases amounting to \$2,900,000 on an annual basis. A total of 1,142 new tariffs were analyzed.

Three proposed increases in rates were suspended during the year. Detailed investigation resulted in two firms requesting that the proposed increase be withdrawn and the matter dropped. One investigation into the reasonable cost of providing service is in progress.

Protection of the environment has required stockyard operators to evaluate operational and design procedures to determine methods to meet the standards of State and Federal agencies. The Rates, Services, and Facilities Branch has consulted and assisted several market operators in developing plans to comply with waste treatment requirements.

Investigations of livestock markets to determine the adequacy of services and facilities were made at 23 markets. Recommendations for necessary improvements to services and facilities were made to the market operators. It is estimated that construction savings of \$400,000 and reduction of \$120,000 in annual operating expenses would result if the suggestions are followed.

11. Jurisdictional Activities under the Packers and Stockyards Act:

Activity	Fiscal Year					
	1969	1970	1971	1972	1973	
Yards posted.....	2,204	2,207	2,105	2,018	2,036	
Market agencies and dealers registered:	15,589	15,599	14,985	15,167	15,445	
Packers (est.).....	3,200	3,200	2,206*	2,086*	1,972*	

* Includes only packers required to file annual reports

12. Complaints Investigated and Formal Proceedings Under the Packers and Stockyards Act:

Activity	Fiscal Year					
	1969	1970	1971	1972	1973	
Complaints received..	6,338	6,209	6,709	2,652*	3,047*	
Investigations and audits.....	6,980	7,715	7,508	5,698	5,845	
Cases pending start of year.....	155	150	140	174	149	
New and reopened cases.....	234	217	265	237	257	
Cases disposed of...	239	240	233	258	223	
Cases pending end of year.....	150	127	174	153	183	

* Only significant complaints recorded and reported

The following is a geographic breakdown of obligations and man-years by location:

	1974	
	Estimated	Available
	Amount	Man-Years
California	\$194,800	11
Colorado	175,600	9
District of Columbia	1,605,637	60
Georgia	181,800	10
Illinois	202,500	11
Indiana	180,500	9
Minnesota	180,200	10
Missouri	205,900	11
Nebraska	231,400	13
New Jersey	172,800	9
Oregon	175,900	15
Tennessee	175,400	9
Texas	200,200	11
Virginia	164,400	7
Total, P&SA.....	4,047,037	195

FARMER COOPERATIVE SERVICE

Purpose Statement

The Secretary of Agriculture established Farmer Cooperative Service (FCS) in December 1953, after Congress, in the Farm Credit Act (Public Law 202, August 6, 1953), transferred its functions from Farm Credit Administration to the Secretary of Agriculture.

The Secretary has assigned to the Service (1) functions under the Cooperative Marketing Act of 1926 (7 U.S.C. 451-457), and (2) functions that relate to the economic and marketing aspects of farmer cooperatives under the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

Farmer Cooperative Service's fundamental purpose is to help farmers to help themselves.

FCS conducts studies to support cooperatives that market farm products, purchase production supplies, and perform related business services. The Agency provides technical assistance and research to improve cooperative performance.

Technical assistance is given on organizing new cooperatives, merits of merging cooperatives, changing business structure and developing strategies for growth.

Applied research is conducted to give farmers relevant and expert assistance pertaining to their cooperatives. Studies concentrate on financial, organizational, legal, social, and economic aspects of cooperative activity in U. S. agriculture.

FCS efforts center on providing rapid response and leadership to help build more effective cooperative operations in the changing economic environment in which the family farmer operates.

The Service is headquartered in Washington, D. C., and has no field offices.

Available Funds and Man-Years
1973 and Estimated, 1974 and 1975

	: Actual	: Estimated	: Budget Estimate
	: 1973	: Available, 1974	: 1975
	: Man-	: Man-	: Man-
	: Amount	: Years	: Amount
	: Years	: Years	: Amount
	: Years	: Years	: Years
Farmer Cooperative Service.....	\$2,188,200	88	\$2,229,200 : 88
USDA Funds:			
Economic Research Service:			
Research in the area of			
pricing.....	--	--	10,500 : --
Total, Agricultural			
Appropriation Bill	2,188,200	88	2,239,700 : 88
Other Federal Funds.....	122,479	4	114,500 : 3
Non-Federal Funds.....	76,325	2	171,000 : 2
Total, Farmer Cooperative			
Service.....	2,387,004	94	2,525,200 : 93
			2,595,000 : 93

	1973	1974	1975
	Actual	Estimated	Estimated
End-of-Year Employment:			
Permanent full-time.....	85	88	88
Other.....	8	6	6
Total.....	93	94	94

FARMER COOPERATIVE SERVICE

Appropriation Act, 1974	\$1,955,000
Budget Estimate, 1975	2,354,000
Increase in Appropriation	+399,000

Adjustments in 1974:

Appropriation Act, 1974	\$1,955,000	
Transfer from OMS for Information Activities a/ ...	+133,200	
1974 Supplemental Appropriation for pay costs	+141,000	
Adjusted base for 1975		2,229,200
Budget estimate, 1975		2,354,000
Increase over adjusted 1974		+124,800

a/ On June 22, 1973, the information services, which had been performed on a centralized basis by the Office of Management Services for a number of smaller USDA agencies, were transferred from OMS to the Agencies involved. This transfer provided FCS with an additional 8 full-time employees.

SUMMARY OF INCREASES
(On basis of adjusted appropriation)

	<u>1974</u>	<u>Increases</u>	<u>1975</u> <u>Estimate</u>
GSA Space rental costs	--	+\$97,800	+\$97,800
Annualization of the pay cost increase effective in FY 1974	\$141,000	+27,000	168,000
All other	2,088,200	--	2,088,200
Total available	<u>2,229,200</u>	<u>+124,800</u>	<u>2,354,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973	1974 (estimated)	Increase	1975 (estimated)
1. Research and technical assistance for agricultural cooperatives	\$2,075,853	\$2,229,200	+\$124,800 (1)	\$2,354,000
Unobligated balance	112,347	--	--	--
Total available or estimate	<u>2,188,200</u>	<u>2,229,200</u>	<u>+124,800</u>	<u>2,354,000</u>
Transfer from OMS for Information Activities	-133,200	-133,200		
Proposed Supplemental for pay increase costs	--	-141,000		
Total, appropriation	<u>2,055,000</u>	<u>1,955,000</u>		

EXPLANATION OF PROGRAM

Farmer Cooperative Service conducts studies relating to cooperatives engaged in the marketing of farm products, purchasing of production supplies and supplying related business services. The agency program is directed toward providing technical assistance to cooperatives and research to improve cooperative performance.

Technical assistance is provided in response to problems that may come to FCS from farmers directly or through the management or boards of directors of cooperatives composed of hundreds and in some instances thousands of farmers. Help is given on

the formation of new cooperatives, the merits of merging cooperative organizations, changes in business organizations and future growth or development, and the development of better relationships between cooperatives and other businesses and institutions. The full range of organizations and management problems confronting cooperatives is covered by the FCS technical assistance program.

In fiscal year 1975, FCS plans to adjust its resources to emphasize work on the following new programs: 1. coordination in the pork industry, 2. coordinated transportation and distribution system for cooperatives, 3. cooperative programs for acquiring farm inputs, and 4. agricultural bargaining.

Applied research is conducted to give farmers relevant and expert assistance pertaining to their cooperatives. Studies concentrate on financial, organizational, legal, social, and economic aspects of cooperative activity.

Statistical data is collected to detect changes in structure, operations, and growth trends. Data helps identify and support applied research and technical assistance activities.

The agency also has a distinct information mission. It serves as the central storehouse of information and data about farmer cooperatives in the United States. This information is communicated through a variety of publications designed to convey the basic principles of cooperation and the key organizational and management elements required for successful cooperative effort in agriculture.

FCS efforts center on providing immediate response and leadership for more effective and efficient cooperative operations in the changing economic environment in which the family farmer operates.

Workload Factors:

Technical assistance accountability factors:	<u>FY 73</u>	<u>FY 74</u>	<u>FY 75</u>
Improving Cooperative Marketing and Business Systems			
1. Average number of active projects	13	13	13
2. Number of projects initiated	8	8	8
3. Number of projects completed	5	8	8
Improving Cooperative Firm Operations			
1. Average number of active projects	11	11	11
2. Number of projects initiated	11	11	11
3. Number of projects completed	10	11	11
Member and Public Education			
1. Average number of active projects	5	5	5
2. Number of projects initiated	6	6	6
3. Number of projects completed	6	6	6
Cooperative Development			
1. Average number of active projects	20	20	20
2. Number of projects initiated	60	60	60
3. Number of projects completed	60	60	60
High Response - Short Term Assistance			
Number of Activities	130	130	130

Research accountability factors:	<u>FY 73</u>	<u>FY 74</u>	<u>FY 75</u>
Improving Cooperative Marketing and Business Systems			
1. Average number of active projects	14	14	14
2. Number of projects initiated	9	6	6
3. Number of projects completed	3	6	6
Improving Cooperative Firm Operations			
1. Average number of active projects	8	8	8
2. Number of projects initiated	0	3	3
3. Number of projects completed	3	3	3
Member and Public Education			
1. Average number of active projects	3	3	3
2. Number of projects initiated	1	1	1
3. Number of projects completed	0	1	1
Number of projects	74	74	74

Types of Projects:

Technical assistance studies in:

- Improving Organizational Structures and Marketing Systems
- Feasibility of Economic Integration
- Improving Cooperative Operations
- Using Cooperatives in Rural Development
- Coordination in the Pork Industry
- Coordinated Transportation and Distribution System for Cooperatives
- Cooperative Programs for Acquiring Farm Inputs
- Agricultural Bargaining

Research studies in:

- Identification of the Appropriate Role and Scope of Cooperative Activity
- Economic Integration
- Member Education and Involvement
- Bargaining
- Financing Cooperatives

JUSTIFICATION OF INCREASES

- (1) An increase of \$124,800 for Research and technical assistance of agricultural cooperatives consisting of:

GSA Space rental costs.....	+\$97,800
Annualization of pay cost increases effective in fiscal year 1974.....	+27,000

STATUS OF PROGRAM

Family farmers use the cooperative form of business as extensions of their farm enterprises. Through cooperatives, farmers jointly purchase production supplies, process and market products, and obtain related services. By working together in cooperatives, farmers are able to reduce costs and obtain greater returns at the market place. Thus, they are able to provide Americans with the world's most plentiful, highest quality, and least costly food and fiber supplies.

Farmer Cooperative Service--through mission-oriented research and technical assistance programs--advises farmers, co-op officials, and other rural people on how to improve or expand existing cooperatives, and, when needed, to develop new cooperatives.

FCS is prepared to work with the farmers who use the latest modern techniques and management skills or those with limited resources and management skills. The Agency is prepared to commit one specialist or a substantial team to projects. It may conduct a project by itself or work with other State and Federal agencies, universities, or with one or a group of cooperatives. Because of its versatility and flexibility, the Agency serves as the national focal point of activity involving farmer cooperatives.

What Agency Efforts are Accomplishing:

Grain marketing systems have drawn much Farmer Cooperative Service attention through technical assistance programs. Regional grain cooperatives and their member cooperatives face problems of obsolete grain facilities, increasing grain production, inadequate transportation, and more stringent environmental and safety regulations. To seek solutions, Agency specialists have made many on-scene analyses and recommended to cooperative management the optimum economic alternatives. The Agency has written detailed guidelines to improve cooperative arrangements and organization. Regional cooperatives have received analyses on their potentials and capabilities for shipping by unit-trains, procurement programs, improved marketing, and better assistance to member patrons. Farmer Cooperative Service has helped cooperatives analyze the need for soybean processing plants and has recommended how cooperative soybean plants can increase producer income from savings in processing. Further, these savings can reduce soybean meal costs to cooperative feed plants. These studies have provided FCS with special expertise and capability to help other cooperatives with similar problems.

Transportation costs for products marketed and purchased by farmer cooperatives amount to about \$1.5 billion a year. Therefore, any efficiencies in transportation benefit farmer and consumer alike. Most recent advisory assistance and transportation research by FCS dealt primarily with grain-handling problems of cooperatives. Insufficient transportation equipment and inadequate, poorly located grain-handling facilities appeared as major problem areas. An FCS study, for example, showed how improved service and lower transportation costs could be attained by upgrading and enlarging selected elevators on main rail lines and by using remaining elevators as satellites and for truck grain sales. An FCS study demonstrated how 14 midwestern regional grain and farm supply cooperatives could save \$1 million annually by jointly operating towboats and barges to haul grain to the Gulf and to backhaul fertilizer ingredients. Follow-up and advisory assistance by FCS during the past year resulted in implementation of research findings and preliminary plans for organizing a transportation cooperative to jointly operate barge and rail equipment.

Dairy cooperatives have requested and received FCS advisory service in problem areas, such as organizational restructuring, marketing efficiency, and milk hauling systems. Major inquiries seek advice on the feasibility of combining small dairy cooperatives into a larger and more effective organization. Studies have helped cooperative members and management better understand benefits and problems in unification and the procedures for merging. To gain potential benefits of merger, cooperatives have recognized the need to improve their milk-hauling systems. FCS studies have developed systems for the most efficient use of trucks and more equitable charges to producers for milk-hauling services. Agency specialists have analyzed the total marketing structure in several areas of the country and cooperative operations within this structure. Suggestions include changes in facility sites, operations, management structure, and financing. Studies have led to significant changes in structure of dairy cooperatives in the Midwest and the South. Implementation is underway in the Northeast.

Energy complications are a deep concern to farmer cooperatives that refine and market energy products. Farmer cooperative refineries, though a small portion of the petroleum industry, are major suppliers to the nation's food and fiber producers. FCS petroleum analysts provided input and viewpoint in several recent Government reports, studies, and assignments. FCS provided the cooperative liaison with a Department of Interior task force studying proposals on allocations programs. FCS provided data to the Office of Emergency Preparedness situation study on petroleum. FCS personnel have been participating in interagency briefings. FCS already had studies underway prior to the energy crisis. A liquid propane gas study had been adapted by a farmer cooperative to its broiler operations. FCS has discovered a potential for increasing petroleum distribution by farmer cooperatives in the South. That region's distribution share is 7 percent, lagging behind the national average of about 27 percent. Farmer cooperatives in some States distribute 50 percent of that State's petroleum products.

Cooperative coordination opportunities are continually explored to improve the market position of farmers. An FCS study is investigating 22 arrangements of cooperatives and other organizations to more closely coordinate their mutually beneficial activities. This study shows a large number of coordinating techniques are possible and are being employed. But a major ingredient in all successful long-term arrangements is mutual benefit and trust. In addition, other projects are exploring ways to improve firm and industry coordination and pricing methods. Effective action once could be taken by a single cooperative, usually on a specialized, one-commodity basis. However, this "traditional" approach is open to serious question as the food and fiber industries are becoming more integrated, systemized, and more and more sensitive to the demands of the consumption sector. FCS feasibility studies are scrutinizing joint marketing ventures, both in food and fiber, to determine the best courses ahead for cooperatives and, in turn, for the public interest.

Cooperative development assistance is being given to numerous groups of small farmers and other rural residents. FCS has worked with the North Carolina Rural Fund for Development, a non-profit organization, to assist 25 cooperatives in eastern North Carolina. FCS provided feasibility studies, arranged for funding, and helped coordinate assistance from numerous State and Federal agencies. On site technical and business management assistance was given during the final development of two agricultural cooperatives. One is a feeder pig marketing cooperative serving farmers in 11 rural counties. Sales since the business started have exceeded \$650,000 with net income amounting to about \$1,200 per member. The second cooperative serves a three-county area and is a vegetable producers' enterprise. It will provide an additional income of \$500 per family. FCS prepared a feasibility study to expand a nationwide handicraft marketing organization. FCS has provided direct assistance for the development of a low-income minority group horticulture cooperative in Florida that will operate a greenhouse foliage and landscape business.

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service was established March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 690 approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service. More recently, the Secretary has assigned to the Service, by transfer, responsibility for the barter and stockpiling program, general sales management for government-owned surplus commodities, ocean transportation functions related to the export of commodities under U.S. programs, and activities relating to developing, evaluating and reviewing the program for donations of food abroad through voluntary agencies pursuant to Titles I and II of P.L. 480.

The agency performs the following kinds of service functions:

It maintains a world-wide agricultural intelligence and reporting service to assist U.S. agricultural industry in its export operations. This is done through a continuous program of reporting by agricultural attaches located in 63 posts throughout the world covering some 110 countries. Reporting includes information and/or data on foreign government policies, analysis of supply and demand conditions, commercial trade relationships and market opportunities.

The Foreign Agricultural Service analyzes agricultural information essential to the assessment of foreign supply and demand conditions in order to provide estimates of the current situation and to forecast the export potential for specific U.S. agricultural commodities.

The Service develops foreign markets for U.S. farm products through effective market promotion activities. It provides tradesmen, both foreign and domestic, with services that are necessary to build and maintain markets for U.S. products overseas. In addition, the Service conducts programs which facilitate the sale of agricultural commodities on a long-term credit basis and for the donation of agricultural commodities to foreign governments, intergovernmental and voluntary agencies and the World Food Program in some 100 countries.

Under authority of the Trade Expansion Act, the Service directs and coordinates Department participation in the formulation of trade programs and agreements in order to stabilize and expand the world trade of U.S. agricultural products. It effectively negotiates to reduce restrictive tariff and trade practices which are recognized as barriers to the import of U.S. agricultural commodities.

Organization - The work of the Service is carried out by headquarters staff in Washington, D.C., 63 agricultural attache posts in various countries, and a regional field service director in Chicago for direct contact with present and potential exporting firms and state marketing offices.

Revision of activity titles and structures in the 1975 Budget Estimates. The 1975 Budget Estimates propose a revision of the activities under the item Foreign Agricultural Service as follows:

Activities in 1974 Budget

1. International Trade
2. Agricultural Attaches
3. Market Development
4. Commodity Programs

Activities in 1975 Estimate:

1. International Trade
2. Agricultural Attaches
3. Foreign Marketing
4. Foreign Commodity Analysis

The proposal would revise the titles of activities 3 and 4 to more accurately reflect the functions assigned to the activities after the Departmental reorganization in January 1974. Under the terms of Secretary's Memorandum 1833 dated December 7, 1973, the functions assigned to the Export Marketing Service were transferred to the Foreign Agricultural Service. These functions in the 1974 Budget were included under the "Limitation on Administrative Expenses, Commodity Credit Corporation." In the 1975 budget these functions will be included in proposed activity 3, Foreign Marketing. However, they will continue to be financed from funds transferred from the Limitation on Administrative Expenses, Commodity Credit Corporation.

In addition, the 8 foreign marketing branches in the Commodity Programs activity (no. 4) will be realigned under activity 3, Foreign Marketing. There is the possibility of further organizational changes taking place between the time that this justification was prepared and the Committees' hearings on the FY 1975 Budget. We will keep the Committees informed on any subsequent changes.

The following table shows the effect of these changes on the previous activity structure:

Redistribution of Estimated Obligations, 1974
on Basis of Revised Activity Structure
(in thousands of dollars)

<u>Previous Activities</u>		<u>Revised Activities</u>			
	<u>Total</u>	1. Interna- tional <u>Trade</u>	2. Agri- cultural <u>Attaches</u>	3. Foreign <u>Marketing</u>	4. Foreign Commodity <u>Analysis</u>
1. Int. Trade	\$ 1,211	\$1,211			
2. Ag. Attaches	7,679		\$7,679		
3. Market Devel- opment	18,396			\$18,396	
4. Commodity Programs	3,817			984 ^{a/}	\$2,833
Subtotal	\$31,103	\$1,211	\$7,679	\$19,380	\$2,833
Funds included under Limitation on Administrative Expenses, CCC	\$ 2,072 ^{b/}			\$ 2,072	
Total	<u>\$33,175</u>	<u>\$1,211</u>	<u>\$7,679</u>	<u>\$21,452</u>	<u>\$2,833</u>

^{a/} Adjustment to realign the foreign marketing branches under the Foreign Marketing activity.

^{b/} Represents that portion of the total allotment that applies to FAS in FY 1974. The remaining part of the total FY 1974 (\$1,758,000) allotment is considered as part of the Export Marketing Service.

Available Funds and Man-Years
1973 and Estimated, 1974 and 1975

Item	Actual		Estimated		Budget Estimate	
	1973		Available 1974		1975	
	Amount	Man-Years		Man-Years		Man-Years
Foreign Agricultural Service:						
Salaries and Expenses:						
Appropriation..	\$25,971,000	691	\$27,986,000	679	\$29,034,000	693
Transfer from:						
Section 32...	3,117,000		3,117,000		3,117,000	
Total, Salaries and expenses....	\$29,088,000	691	\$31,103,000	679	\$32,151,000	693
Salaries and expenses (Special foreign currency program).....	223,940 ^{a/}	13	1,000,000 ^{a/}	13	1,000,000 ^{a/}	13
Total, Agricultural Appropriation Bill...	\$29,088,000	704	\$31,103,000	692	\$32,151,000	706
Obligations under other:						
USDA appropriations:						
Limitation on administrative expenses, Commodity Credit Corporation..	3,755,764	181	b/ 3,830,000	171	3,620,000	141
Miscellaneous reimbursements..	108,680	1	86,000	1	15,000	1
Total, Other:						
USDA Funds.....	\$ 3,864,444	182	\$ 3,916,000	172	\$ 3,635,000	142
Total, Foreign Agricultural Service.....	\$32,952,444	886	\$35,019,000	864	\$35,786,000	848

END OF YEAR EMPLOYMENT:	1973	1974	1975
	Actual	Estimated	Estimated
Permanent full-time.....	856	829	829
Other.....	27	27	27
Total.....	883	856	856

^{a/}Represents obligations. No appropriations are required for this item since the unobligated balances brought forward are sufficient to carry out this program.

^{b/} Includes man-years and funds for activities previously under the Export Marketing Service. The totals include obligations of \$3,756,000 and 181 man-years in 1973 and \$1,758,000 and 78 man-years in 1974 which were incurred by Export Marketing Service.

Foreign Agricultural Service

	Appropriation	Transfer from Section 32	Total
Appropriation Act, 1974.....	\$27,195,000	\$3,117,000	\$30,222,000
Budget Estimate, 1975.....	29,034,000	3,117,000	32,151,000
Increase in Appropriation.....	<u>\$ 1,929,000</u>	<u>---</u>	<u>\$ 1,929,000</u>

Adjustments in 1974:

Appropriation Act, 1974	\$30,222,000	
1974 Supplemental Appropriation for Pay Costs	<u>881,000</u>	
Adjusted base for 1975		31,103,000
Budget Estimate, 1975		<u>32,151,000</u>
Increase over Adjusted 1974		<u>+1,048,000</u>

SUMMARY OF INCREASES AND DECREASES
(On Basis of Adjusted Appropriation)

	1974	Increase	1975 Estimate
Agricultural Attaches.....	\$ 7,376,000	\$ +334,000	\$ 7,710,000
Foreign Marketing.....	19,138,000	---	19,138,000
GSA Space Rental Costs.....		+557,000	557,000
Annualization of the Pay Cost Increase Effective in FY 1974.....	881,000	+157,000	1,038,000
Foreign Commodity Analysis.....	2,579,000	---	2,579,000
All Other.....	1,129,000	---	1,129,000
Total available.....	<u>\$31,103,000</u>	<u>\$1,048,000</u>	<u>\$32,151,000</u>

PROJECT STATEMENT
(On Basis of Adjusted Appropriation)

Project	1973	1974 (Estimated)	Increase	1975 (Estimated)
1. International Trade.....	\$ 1,137,042	\$ 1,211,000	\$ 70,000(1)	\$ 1,281,000
2. Agricultural Attaches.....	6,763,534	7,679,000	465,000(2)	8,144,000
3. Foreign Marketing.....	17,447,232	19,380,000	261,000(3)	19,641,000
4. Foreign Commodity Analysis..	3,396,707	2,833,000	252,000(4)	3,085,000
Unobligated balance.....	343,485	---	---	---
Total available or estimate.....	<u>\$29,088,000</u>	<u>\$31,103,000</u>	<u>\$1,048,000</u>	<u>\$32,151,000</u>
Proposed supplemental for pay costs.....	---	-881,000		
Total Appropriation.....	<u>\$29,088,000</u>	<u>\$30,222,000</u>		

EXPLANATION OF PROGRAM

The appropriation of the Foreign Agricultural Service funds the activities authorized by the Agricultural Act of 1954 (P.L. 690) and by Titles I and II of the Agricultural Trade Development and Assistance Act of 1954, as amended. The activities carried out are as follows:

- International Trade - coordinates and directs Department participation in the formulation of trade programs and agreements with a specific goal

to expand world trade of American agricultural products. The program area maintains an ongoing activity to reduce restrictive tariff and trade practices in foreign countries which discourage the imports of American agricultural products.

The workload in this program area is distributed in two major activities: (1) Trade Negotiations and (2) Trade Operations. Within these two activities the functions center around (a) the development and coordination of USDA positions on trade matters and representing these views to other Departments and Inter-departmental bodies for the purpose of developing a U.S. position, (b) participation in bilateral and multi-lateral consultations and negotiations with other Governments, (c) participation in the analysis of agricultural imports on Department programs, (d) administration of import quota restrictions as imposed by the President, (e) represents USDA in the Interdepartmental Committee for Export Control under the Export Control Act of 1949, and (f) the assurance of Department participation in developing, evaluating, and presenting administration proposals to reconcile conflicts of U.S. domestic and foreign economic policy pertaining to U.S. agriculture.

- Agricultural Attaches - a core of agricultural specialists trained to administer agricultural functions as defined by the Department within the country of assignment. Currently the Agricultural Attache Service has 63 posts of assignment covering 100 countries.

The workload of this program area is as follows: (a) provides USDA foreign agricultural representation, (b) protects agricultural trade interests throughout the world, (c) coordinates the collection of data and interprets and analyzes marketing, economic, and trade information from foreign area essential to the administration of U.S. foreign agricultural policies and programs, (d) assures effective participation in the development of markets and implementation of trade programs and projects and (e) assures effective Department liaison with Chiefs of the U.S. Diplomatic Missions, other U.S. agencies and foreign government officials, private agencies in the field of agriculture, commerce, industry and finance, trade organizations' leaders, exporters, distributors, farmers, international trade, farm and commodity groups and organizations.

The service submits some 3,550 market intelligence reports a year covering about 110 countries.

- Foreign Marketing - General Sales Manager - the object of the foreign marketing program is to promote and assist in the expansion of export sales of U.S.-produced farm products. Support activities relating to the P.L. 480 and the Commercial Export Programs are also provided through the facilities of the Agricultural Stabilization and Conservation Service.

Public Law 480 Program - the activities assigned to the Department under Title I and Title II of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480) are carried out by the Service. Under this program, "available" agricultural commodities are exported to friendly countries. This includes sales of agricultural commodities for dollars on a long-term credit basis (Title I), and donations of commodities to foreign governments, intergovernmental and voluntary agencies and the World Food Program in some 100 countries (Title II).

Commercial Export Programs - the Service administers the commercial export activities of the Commodity Credit Corporation including the short-term export credit sales program, the Barter Program, programs to facilitate and expand the sales of privately and CCC owned agricultural commodities

and develops related pricing policies and export payment rates for applicable commodities. The Service also carries out the domestic operations to implement the Wheat Trade Convention of the International Wheat Agreement.

Foreign Market Development - administers FAS' market development programs which are designed to encourage exports of U.S. agricultural products in foreign markets.

The workload of this program area is distributed among three general activities: (1) Planning and Evaluation, (2) Export Trade Services, and Foreign Marketing. Within the three activities functions are defined as follows: (a) establishment of program policies and objectives, (b) formulation of market development plans and activities, (c) development of program analysis and evaluation plans, (d) coordination of program operations, (e) maintenance of relationships and liaison with State departments of agriculture, private industry cooperator groups, and regional agricultural trade councils, (f) coordination of market development programs with U.S. agricultural production planning, and (g) supervises commodity aspects of private cooperator participation in foreign market development projects under private industry arrangements.

The Foreign Agricultural Service maintains a market development relationship with 42 active cooperator organizations providing promotional activities in about 65 foreign countries. FAS also conducts some 52 separate promotional events in 28 foreign countries.

- Foreign Commodity Analysis - primary area for the formulation and maintenance of worldwide intelligence requirements on the supply, demand and trade on agricultural commodities. Responsible for analysis and forecasting of world production, consumption and trade trends, including factors leading to variations from trend which affect exports of U.S. agricultural commodities. Responsible for the organization, classification, analysis and publication of data in such form that it provides information and guidance to U.S. Government policy level executives, to domestic agricultural producers, the U.S. agricultural business community and to the public in general.

The workload of the program area is distributed among 7 commodity activity areas. Their functions are as follows: (a) conducts studies of foreign production and foreign markets for U.S. agricultural commodities, (b) conducts analyses of competition from production in foreign countries and its effect on U.S. agricultural exports, (c) services U.S. exporters, trade groups, commodity associations and U.S. Government agencies with current market data and intelligence, and (d) processes worldwide data collection results and adapts field reporting to automatic data processing systems. Evaluates agricultural reporting with the objective of correcting deficiencies, expanding coverage and improving the commodity intelligence reporting systems.

Professional analyses of production, prices, supply and distribution, trade and consumption are conducted by this program area on some 74 commodities from about 131 countries.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$70,000 for International Trade consisting of:

GSA Space costs.....	+\$59,000
Annualization of pay cost increase	
effective in FY 1974.....	+\$11,000

- (2) An increase of \$465,000 for Agricultural Attaches consisting of:

GSA Space costs.....	+\$66,000
----------------------	-----------

Annualization of pay cost increases	
effective in FY 1974.....	+\$65,000
Overseas inflation.....	+\$334,000

Need for Increase - the increase for overseas inflation is required because of the rising costs of goods and services purchased abroad. These include: (a) salary costs of FAS foreign national employees, (b) shared administrative support costs paid to the Department of State, (c) rents and utilities for Attache residences, (d) per diem costs, (e) post quarter and educational allowances for our American employees, and (f) other miscellaneous expenses. Our request of \$334,000 in additional appropriations will only partially offset the effects of rising costs overseas.

Current adjustments of funds due to dollar appreciation vis a vis the major world currencies are next to impossible to make based on the rapid irregular movements of the currency relationships. As of mid-February 1974 the dollar value, relative to foreign currencies, was at or near the same position as it was on February 13, 1973, the date of the last dollar devaluation. For fiscal year 1975 it is anticipated that the dollar vs. other major foreign currencies relative to the FAS overseas programs will continue to fluctuate. No substantial dollar gains due to appreciation are expected.

Plan of Work - in recent years the costs of operating the overseas Attache program have risen sharply. Salaries of foreign nationals, for example, have increased 60% since FY 1969. From FY 1972 to FY 1973 salary costs rose 15.2%. We anticipate a further escalation of foreign national salary costs above 15% in FY 1974. However, the projected data for FY 1975, when analyzed on a country-by-country basis, indicates an increase of around 11%. It will require in FY 1975 approximately \$157,000 to meet these additional costs. Another major item of expense which has risen drastically is our payment for administrative support to the Department of State. These costs have increased 54% between FY 1969 and FY 1973--13.9% in FY 1973 alone. We expect a continued rise in FY 1974 and we are projecting a 14% increase in FY 1975. This amounts to an increase in our payment of approximately \$288,000. For rents and utilities of our Attache residences we anticipate an average increase of 8% world-wide in these expenses in FY 1975. In additional dollar costs, our rents and utilities will increase roughly \$37,000. Also, the miscellaneous expenses of operating our Attache offices, exclusive of salary costs, will increase at approximately 8% world-wide creating a need for an additional \$22,000. Furthermore, the post, quarter and educational allowances paid our U.S. employees abroad can be expected to increase in a similar manner. Our estimate for allowances for FY 1975 indicates an increase of \$31,000. In sum, these expenses amount to an increase of \$535,000 over FY 1974. We intend to partially finance the anticipated increases by our requested appropriation increase of \$334,000. The remaining inflationary increases will necessarily have to be absorbed through further reprogramming.

(3) An increase of \$261,000 for Foreign Marketing consisting of:

GSA Space costs.....	+\$218,000
Annualization of pay cost increases	
effective in FY 1974.....	+\$43,000

(4) A net increase of \$252,000 in Foreign Commodity Analysis consisting of:

GSA Space costs.....	+\$214,000
Annualization of pay cost increases	
effective in FY 1974.....	+\$38,000

Allotment from Commodity Credit Corporation

Available, 1974	\$3,830,000
Distribution of Cost, 1974 a/	
Export Marketing Service	\$1,758,000
Foreign Agricultural Service	2,072,000
Allotment estimate, 1975	
Foreign Agricultural Service	3,620,000
Decrease in allotment	- 210,000

a/ Pursuant to Secretary's Memorandum No. 1833 dated December 7, 1973, the activities of the Export Marketing Service and the Foreign Agricultural Service are being consolidated. The Commodity Export, Public Law 480, and Commercial Credit and Barter program activities previously administered by the Export Marketing Service are now assigned to the Foreign Marketing Activity of the new Foreign Agricultural Service.

The activities under the Export Marketing Service were financed by an allotment of funds from the Commodity Credit Corporation since its functions related entirely to carrying out programs and activities financed by the Corporation. It is proposed that these activities under the new Foreign Agricultural Service be continued under funding from the Commodity Credit Corporation.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted allotment)

	1974	Increase or Decrease	1975 Estimate
Foreign marketing	\$3,830,000	-527,000	3,303,000
GSA Space rental costs	- -	+197,000	197,000
Annualization of pay cost increases effective in FY 1974.		+120,000	120,000
Total available	<u>3,830,000</u>	<u>-210,000</u>	<u>3,620,000</u>

PROJECT STATEMENT
(On basis of adjusted allotment)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
Foreign marketing ...	\$3,755,764	\$3,830,000	-210,000 (1)	\$3,620,000
Distribution of Costs :	:	:	:	:
Export Marketing :	:	:	:	:
Service	\$3,755,764	\$1,758,000	- -	- -
Foreign Agricultural:	:	:	:	:
Service	- -	\$2,072,000	- -	\$3,620,000

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of \$210,000 for Foreign marketing consisting of:

GSA Space rental costs	+\$197,000
Annualization of pay cost increases effective in fiscal year 1974	+\$120,000
Reduction in program administration ..	-\$527,000

The reduction of \$527,000 is proposed in program administration as a result of the suspension of the export payment program for wheat, wheat flour, and rice, and the Barter Program during FY 1973. FY 1974 program activity included the completion of shipment under contracts approved prior to the suspension of the programs.

STATUS OF PROGRAM

Current Activities: The Foreign Agricultural Service's chief function is to carry out a broad program to assist American agriculture in maintaining and expanding its foreign markets. These exports contribute substantially to the U.S. balance of payments. (Chart No. 1)

Among the Service's specific duties are operation of a world-wide agricultural intelligence system; activities to insure access to markets; direction of a cooperative program with industry for the development of commercial export markets; the carrying out of major responsibilities for export programs under the Agricultural Trade Development and Assistance Act--Public Law 480--and related authorizations; and the administration of certain agricultural import control programs.

American agriculture continues to play an increasingly important role in world economics and politics. With concern over food supplies once more at a high pitch, other nations instinctively look toward the United States--and with good reason. In 20 years the American farmer has sold for dollars overseas about \$90 billion in farm products. He has sent to needy countries some \$25 billion in food aid under P.L. 480. In the current fiscal year alone his products may generate a net positive balance in our agricultural trade at the astounding level of \$10 billion!

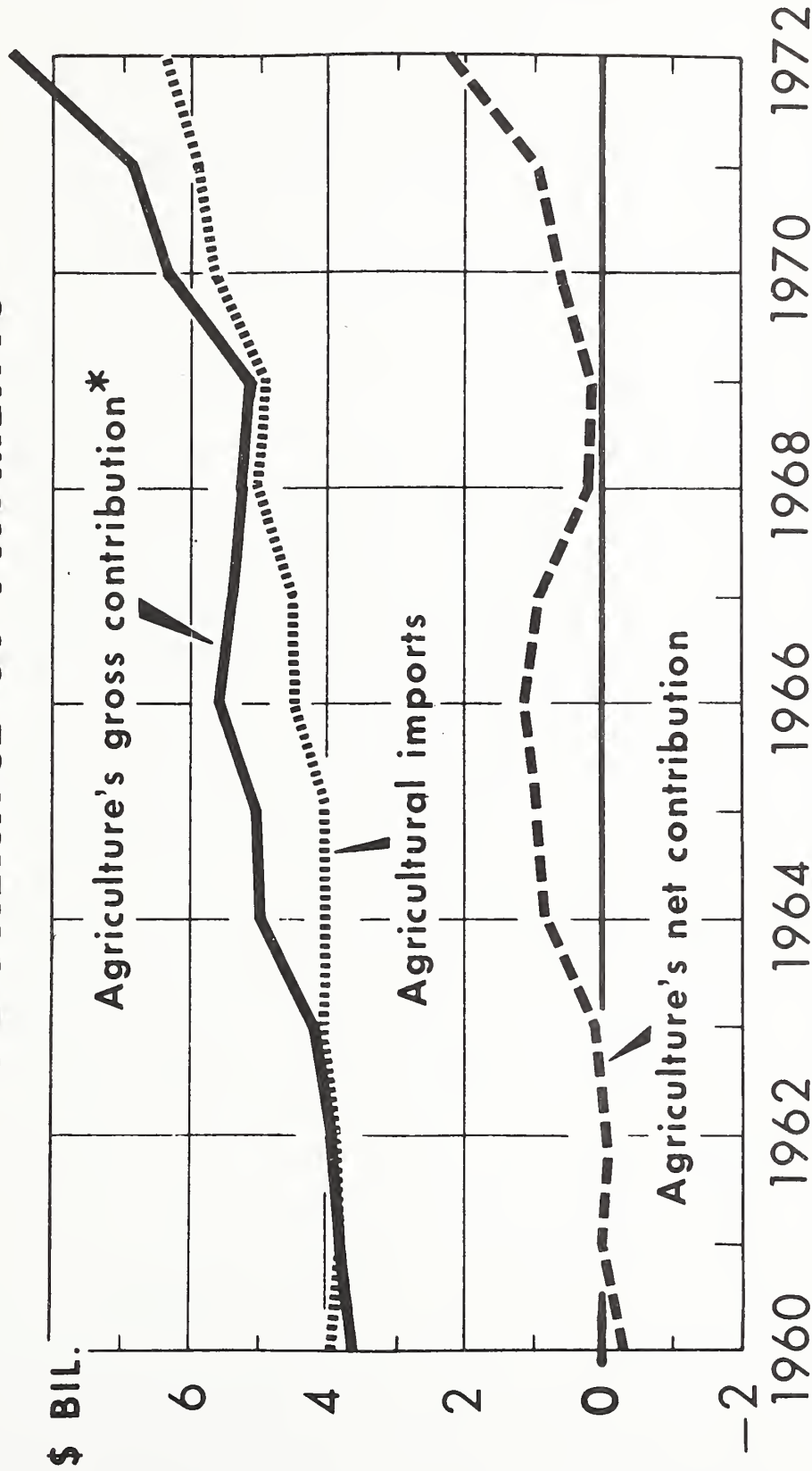
The State Department is reimbursed by the Foreign Agricultural Service for administrative and other support costs furnished overseas at attache posts.

In the Public Law 480 program, the Service is the operating arm of the Department of Agriculture in those activities for which the Department has been assigned major responsibility within the government, i.e., sales for dollars, on credit terms, and for foreign currencies, foreign donations through voluntary agencies, and barter.

The market development program--aimed at commercial export market expansion--is being carried out in cooperation with more than 60 agricultural trade and producer groups. Virtually every U.S. farm product entering into world trade is represented. Activities reach into more than 70 countries around the globe. These jointly financed export promotional activities--undertaken by government and private industry--include advertising, merchandizing, trade servicing, training and educational programs, seminars, demonstrations, international trade exhibits, and trade missions to and from the United States. Innovations in risk-sharing have encouraged more U.S. businessmen to venture into the field of exporting.

The U.S. situation in international trade in agricultural products is enhanced through the Service's reporting and working to remove world trade barriers, the study of foreign competition with American products, the analysis of market situations affecting export sales of agricultural commodities, and dissemination of foreign marketing information to U.S. farm, processor, exporter, government, and other interested groups.

AGRICULTURE'S CONTRIBUTION TO THE BALANCE OF PAYMENTS



*SUM OF DOLLAR RETURNS FROM COMMERCIAL EXPORTS, DOLLAR REPAYMENTS ON CREDITS, AND LOCAL CURRENCIES
(ACQUIRED FROM THE SALE OF FARM PRODUCTS UNDER GOVERNMENT PROGRAMS) USED BY U.S. AGENCIES ABROAD
IN LIEU OF DOLLARS.



Selected Examples of Recent Progress:

SUMMARY OF AGRICULTURAL TRADE

United States agricultural exports, after advancing almost \$5 billion to a record of \$12.9 billion in FY 1973, are expected to rise again by over \$6 billion to an unprecedented level of \$19 billion in FY 1974. Grain and feed exports may total around \$10 billion which would be over half the value of agricultural exports and over 70 percent of the increase during the current fiscal year. Most of the increase in value of grain exports can be attributed to higher prices. Other increases are likely for oilseeds and products, cotton, livestock and meats, fruits, tobaccos, and poultry products. But exports of dairy products will probably fall sharply from a year earlier because of a very tight U.S. supply situation. While Japan continues to be our single best market, with a total probably breaking the \$3 billion level in 1973/74, exports to most countries and regions will likely be higher. For example, exports to the People's Republic of China are likely to climb to over \$1 billion and exports to Latin America will total around \$1.8 billion. Sharp export gains are also expected to Western Europe, other Asian countries, the Middle East, and Africa.

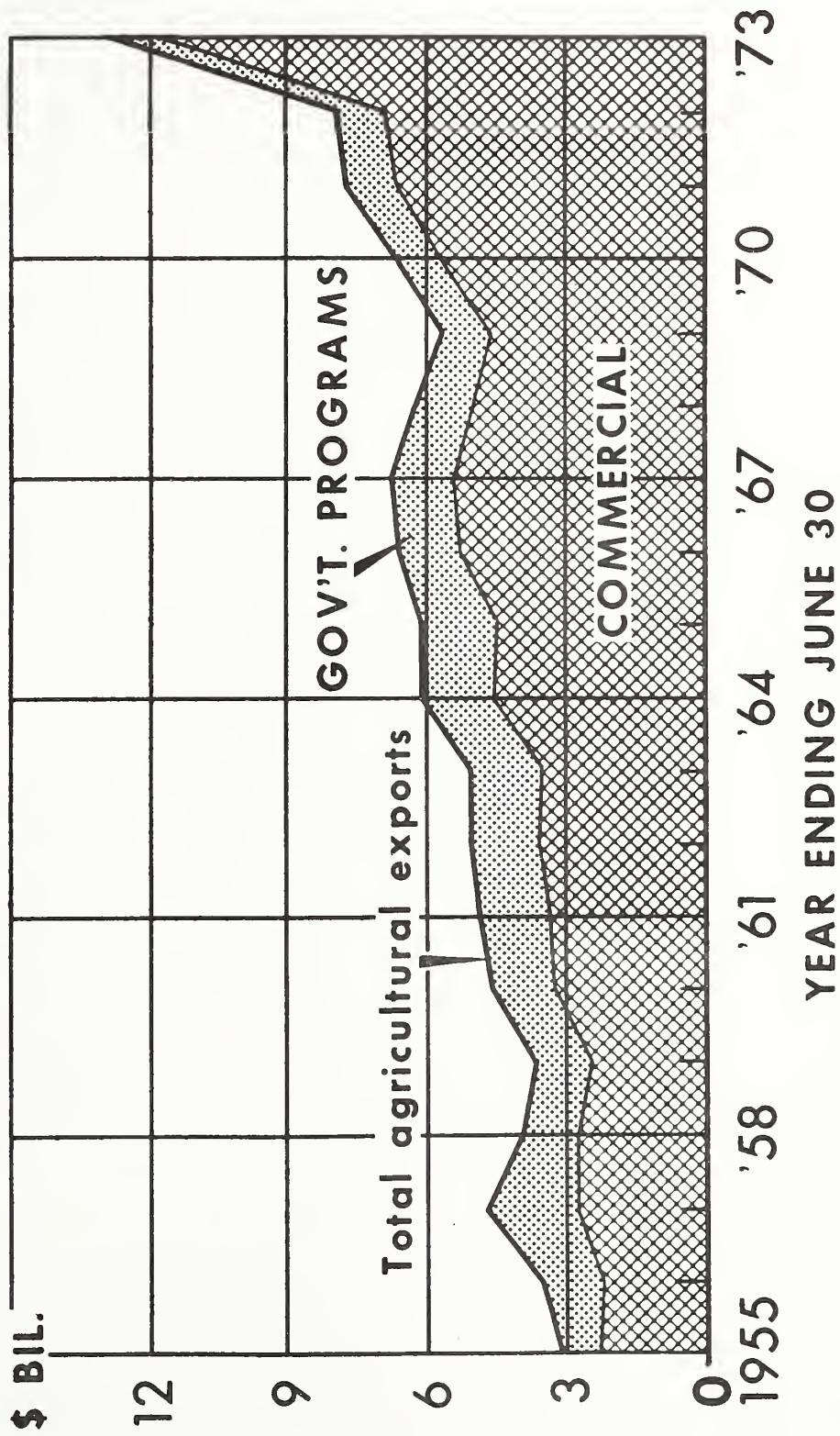
1. U.S. Farm-product Exports Hit \$12.9 Billion Record in 1972/73.
U.S. agricultural exports advanced to an alltime high of \$12.9 billion in 1972/73--60 percent or \$4.8 billion above the prior year's record (see chart No. 2). Grains and grain products accounted for over half of value increase in agricultural exports in fiscal year 1973, and soybeans and products for a fourth. Increases for cattle hides, cotton, meat, tobacco, poultry products, fruits, nuts, and vegetables were also important in achieving the record fiscal year 1973 level. Of the major commodities only dairy products and vegetable oils were below the value of fiscal year 1972 shipments.

Many factors, some long-term, some short-term, contributed to the increase. First and perhaps most important were the unfavorable weather conditions in 1972 that reduced harvests in the Soviet Union, Southeast Asia, Australia, parts of Latin America, and Africa. With limited uncommitted supplies in other major exporting countries, only the United States had the supplies and facilities to fulfill much of the increased demand.

Demand for U.S. soybeans and protein meal was particularly strong in fiscal year 1973 because of the sharp reduction in Peruvian fishmeal output. Peanut supplies in India and Senegal were also down sharply. Because of decreased supplies and higher prices of non-grain feeds and protein feeds, import requirements of U.S. feed grains, especially in Western Europe and Japan, rose sharply.

In addition, the competitive position of U.S. agricultural exports has been enhanced by currency realignments over the past two years. The first currency realignment, which occurred in December 1971 and which is known as the Smithsonian Agreement, depreciated the dollar about 12 percent on average for countries of the Organization for Economic Cooperation and Development (OECD) excluding Canada and between 6 and 7 percent globally. On February 12, the United States again devaluated the dollar. Following that devaluation, the

U.S. AGRICULTURAL EXPORTS: COMMERCIAL AND UNDER GOVERNMENT PROGRAMS



Japanese and the enlarged European Community countries floated their currencies.

On the long-term basis, foreign demand for U.S. agricultural exports has been rising because of the continued rising incomes, especially in Western Europe, Canada, and Japan. Demand for red meat and poultry, in these and other developed countries, has risen substantially, which in turn has contributed to increased demand for U.S. grains, oilseeds, and oilseed cake and meal.

The volume of U.S. agricultural exports gained nearly one-third in fiscal year 1973 and accounted for around 60 percent of the value gain. Higher prices accounted for the balance of the value increases, especially for soybeans, soybean meal, wheat, feed grains, most fruits and vegetables, hides and skins, meats, tobacco, and nuts.

For the third year in a row all the increase in agricultural exports was in commercial sales for dollars. These sales totaled about \$11.9 billion, nearly \$5 billion above a year earlier. Exports under Government-financed programs were about equal to the \$1.1 billion exported in 1971/72.

Farm exports to developed countries totaled nearly \$8.0 billion in 1972/73, up sharply from the \$5.1 billion in 1971/72. Most of the increase occurred in shipments of grains and soybeans. Of course, higher prices accounted for a substantial part of the overall increase to these countries. Exports to developing countries totaled \$3.3 billion in 1972/73 also sharply above the \$2.6 billion in 1971/72. Exports were up sharply to nearly all developing countries. Exports to the centrally planned countries were up sharply and totaled about \$1.6 billion in 1972/73 sharply above the \$330 million a year earlier. More exports of grains, soybeans and soybean meal were purchased by East European countries and the USSR. The People's Republic of China took significant quantities of grain and cotton.

2. Farm Trade Balance Sets Record. Soaring agricultural exports boosted the U.S. agricultural trade balance by \$3.6 billion to a record of \$5.6 billion, despite a one-fifth advance in agricultural imports to a record of \$7.3 billion. This favorable agricultural trade balance helped to offset the country's trade deficit in non-agricultural products, which amounted to \$9.1 billion in fiscal year 1973. Just 4 years ago nonfarm exports had a trade surplus of \$1.7 billion.

3. Commercial Sales were 92 Percent of U.S. Agricultural Exports and Accounted for \$4,941 Million of the Gain from a Year Earlier. All commodity groups registered gains in dollar sales with the exception of dairy products. The largest gains were in oilseeds and products, wheat including flour, and feed grains. Gains for these groups accounted for nearly four-fifths of the overall commercial export gain. Exports under specified Government programs amounted to \$1,030 million, the lowest level since 1954/55, when exports under the Agricultural Trade Development and Assistance Act began. The gradual shift toward the goal of dollar financing reduced sales for

local currency to a mere \$6 million during FY 1973 compared with \$143 million during the previous year while long-term convertible currency credit shipments increased to a record \$653 million. Donations under Government-to-Government and voluntary relief programs of Title II declined \$69 million and \$24 million, respectively. While program shipments of rice, cotton, feed grains, and tobacco showed substantial increases over the 1971/72 levels, the value gain in sales of these products was insufficient to offset the large declines in program shipments of wheat and flour, dairy products, and oilseeds and products resulting in a net loss of \$94 million in 1972/73. Shipments under contracts for overseas procurement for U.S. agencies (barter) increased sharply during 1972/73 and totaled \$1,088 million. Most of the increase was accounted for by feed grains, rice, and cotton. CCC credit sales increased sharply and totaled \$1,028.5 million, compared with \$371.6 million a year earlier. The five-fold increase in sales of wheat and corn accounted for nearly all of the increase. Credit-sale exports of cotton in 1972/73 were 24 percent higher than in 1971/72.

4. Every Major Area of the World Contributed to the \$4.9 Billion Increase in Agricultural Exports in 1972/73. Exports to Europe amounted to \$5.78 billion to 1972/73 compared with \$3.31 billion a year earlier. The value increase in exports to Europe accounted for 51 percent of the total gain in 1972/73's farm shipments.

U.S. agricultural exports to the 9 members of the enlarged European Community advanced 47 percent to \$3.59 billion over 1971/72. Even with this increase our share of the EC agricultural market declined, as it has for several years. In 1972, for example, the United States had approximately 9 percent of the enlarged EC market compared with approximately 12 percent in 1971. In 1972/73, however, U.S. exports to the EC represented only 30 percent of U.S. commercial exports compared with 35 percent a year earlier.

Thanks to the expansion of agricultural exports the United States had a total trade surplus with the enlarged European Community of \$51 million in 1972/73 compared with a deficit of \$297 million a year earlier. The fiscal year 1973 small favorable trade balance, however, contrasts sharply with the surpluses of \$1,852 million in 1970 and \$1,290 million in 1962. The U.S. agricultural trade balance with the EC gained nearly \$1 billion to reach an alltime high of \$2.7 billion in 1972/73. This is the fourth year in a row that our agricultural balance with countries of the enlarged EC has increased. The nonagricultural trade balance, however, deteriorated to a deficit of \$2.7 billion in 1972/73 from only \$99 million in 1961/62.

U.S. exports of variable-levy products to the 9 EC members rose to \$955 million in 1972/73 from \$634 million in 1971/72. This surpasses the old record of \$923 million in 1965/66. Nearly all of the increase occurred in feed grains. But exports of wheat, rice, poultry, and eggs and other variable-levy items showed moderate or small gains. Feed grain exports to the 9 EC members rose 2.6 million tons to reach 10.5 million tons in 1972/73. Value increased 60 percent to \$683 million. Most of the increase occurred to the original 6 members

which took 8.7 million tons in 1972/73, compared with 6.7 million in 1971/72. The prior record for U.S. feed grain exports to the EC-6 occurred in 1967/68 when exports totaled 7.7 million tons. However, during the next 3 years exports turned down sharply and hit a low of 4.7 million tons in 1968/69. The sharp rise in U.S. feed grain exports reflected during fiscal year 1973 (1) the increasing livestock numbers in the European Community, (2) reduced grain supplies from other major exporters, (3) reduced supplies of nongrain feeds, and (4) a substitution of grains for high price soybean meal in the past year. U.S. wheat exports to the European Community climbed to 92 million bushels in 1972/73 from only 57 million a year earlier. U.S. wheat exports to the enlarged EC have fluctuated sharply during the past decade depending to a great extent on the quantity and quality of wheat production within the Community. The Community is nearly self-sufficient in wheat production. It still imports relatively large volumes of high-quality wheat for blending with soft wheat to obtain the desired baking quality.

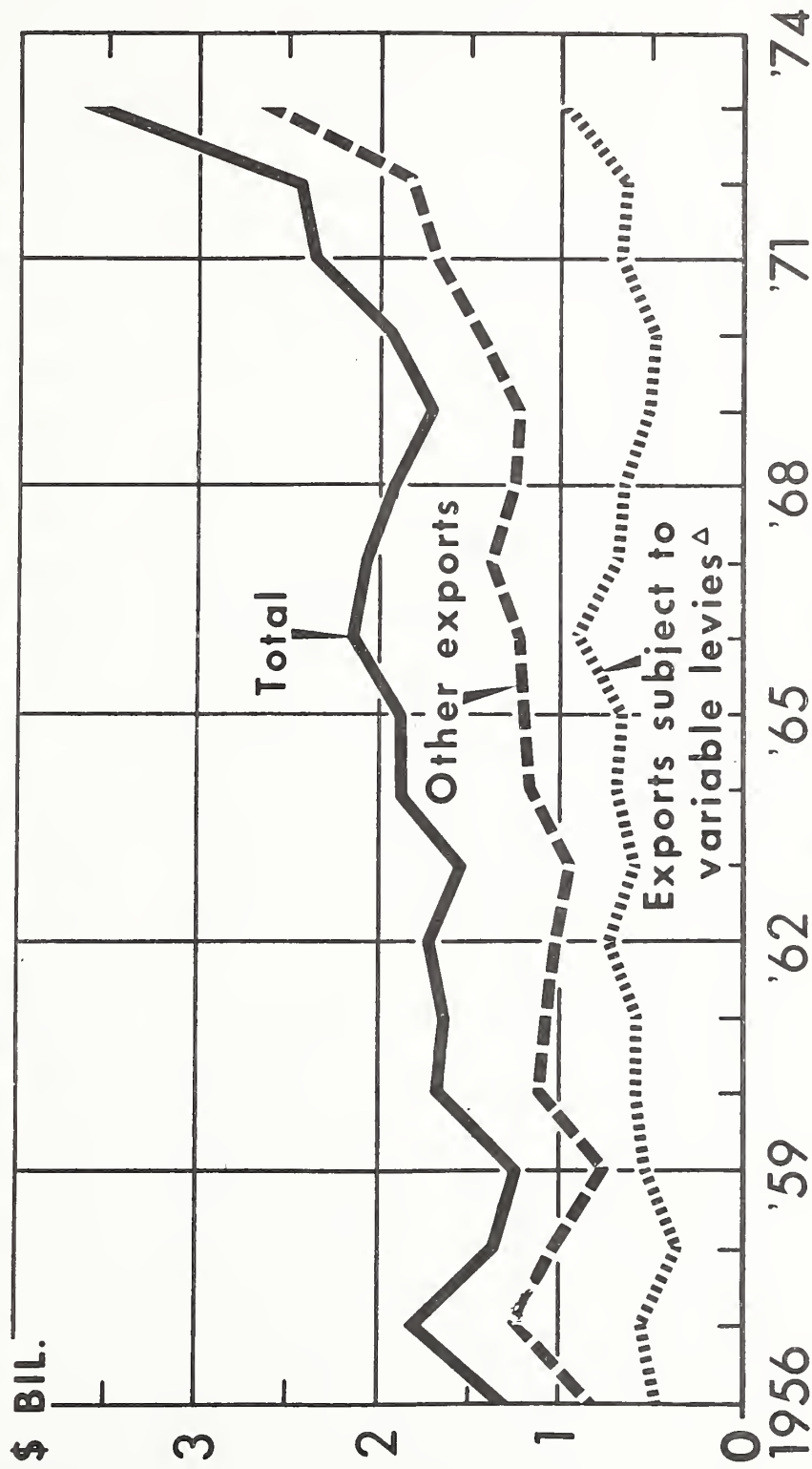
U.S. rice exports to the enlarged Community totaled \$39.1 million in 1972/73, up sharply from the \$24.3 million in 1971/72, but still below the \$44 million exported in 1969/70. The increase in value for 1972/73 reflected substantially higher prices. Also, the United States captured a larger share of the market because of less competition from Asian and Latin American suppliers.

Since the start of the CAP higher prices and the protection of the variable levies have resulted in a three-fold increase in EC poultry production, dropping U.S. poultry exports from \$65 million in 1971/72 to \$18 million in 1972/73. It has also led to increased production and lower imports of pork, lard, and dairy products. There has been, however, a slight increase in the shipments of beef, pork, and lard in the past year, but shipments of butter, however, fell sharply from the \$47 million exported in 1971/72 when the United Kingdom imported large quantities of U.S. butter because of reduced supplies in Continental Europe and New Zealand.

Nonvariable Levy Commodities--U.S. exports to the EC of commodities not subject to the variable-levy system jumped to \$2.64 billion in 1972/73 from \$1.81 billion a year earlier. Since the early 1960's, most of the growth in our agricultural exports to the EC has occurred in nonvariable-levy items. Soybeans and soybean products have accounted for most of this export growth. But gains have also occurred in fruits, vegetables, hides and skins, tobacco, variety meats, nuts and preparations, and corn byproducts. Our cotton exports to the EC have been advancing in the past 5 years despite very strong competition from other exporting countries and despite increased use of manmade fibers. (See Chart No. 3)

Many nonvariable-levy commodities are subject to duties in the form of tariffs. And many fruit and vegetable products are protected by reference prices. When import prices fall below the reference price, a compensatory tax is imposed to offset the difference.

U.S. AGRICULTURAL EXPORTS TO THE ENLARGED EUROPEAN COMMUNITY



YEAR ENDING JUNE 30

^Δ INCLUDES GRAINS, MEATS, POULTRY, AND DAIRY PRODUCTS, EXCEPT THOSE BOUND IN GATT.



Oilseeds and products--U.S. exports of oilseeds and products to the enlarged Community advanced to \$1.53 billion in 1972/73 from \$961 million a year earlier. The original 6 members took \$1.34 billion or nearly 90 percent of the total. Since 1962, when the CAP was adopted, the brightest spot in our agricultural exports to the EC has been the annual gain of about 10 percent in shipments of oilseeds and oilseed products.

The enlarged EC took \$425 million worth of U.S. soybean meal in 1972/73 with the original members accounting for about 90 percent of the total. While the volume of exports during 1972/73 was about equal to the level of a year earlier, held down because of tight U.S. supplies, higher prices caused a 53-percent increase in value. More EC meal has come from the crushing of U.S. soybeans. With demand for protein meal growing at a faster rate than demand for oil, the EC will most likely continue importing large quantities of meal.

Tobacco--U.S. tobacco exports to the enlarged EC hit a record value of \$329 million in 1972/73. Quantity was up 6 percent to 309 million pounds. Exports to the United Kingdom, which accounted for most of the increase, rose to 129 million pounds in 1973 from 86 million pounds a year earlier. Other increases occurred to Denmark and Belgium-Luxembourg. But exports to West Germany, France, and Italy were off from a year earlier.

The future of our tobacco exports to the EC is uncertain because the CAP for tobacco encourages domestic production by providing higher price supports with buyers premiums (payments for the purchase of domestic grown leaf) and extends preferential tariff treatment to African associates. In addition, this preference will probably be extended to a number of Commonwealth developing countries. These countries have been expanding their tobacco production in order to make exports to the enlarged EC.

Cotton--During the 1960's U.S. cotton exports to countries now comprising the EC declined, reaching a low of \$23 million in 1969/70. Since then, however, exports have been inching upward, totaling \$113 million in 1972/73--the largest since 1964/65. The original 6 members were the most important customers in fiscal 1973, taking 90 percent of the total. The higher level of cotton exports was reached in 1972/73 because of a substantial rise in demand and somewhat limited supplies from exporters other than the United States.

Fruits and preparations--U.S. exports of fruits and preparations to the enlarged EC rose to \$104 million in 1972/73 from \$81 million a year earlier. The increase was primarily concentrated in fresh citrus products, dried fruits, fruit juices, and canned fruits. Higher prices accounted for most of the gain in canned and dried fruits.

Vegetables and preparations--Exports of vegetables and preparations to the EC rose 14 percent to \$52 million in 1972/73, with the new members accounting for nearly two-fifths of the total. Most of the increase in the past year has occurred in dried beans, fresh vegetables, and canned vegetables.

Nuts--U.S. exports of nuts and preparations to the EC have been showing a continued upward growth since the 1960's. In 1972/73, nut exports totaled \$39 million--only slightly below the \$41 million worth of a year earlier. Some improvement in European production and smaller U.S. output slowed the growth in U.S. exports in the past year. The enlarged EC took about one-half of U.S. nut exports in 1972/73.

Hides and skins--U.S. shipments of hides and skins to the EC rose 77 percent to \$108 million during 1972/73. Higher prices accounted for most of the gain. However, cattle hide exports gained 28 percent, totaling 2.2 million pieces. Demand for U.S. cattle hides in principal world markets has been very strong because of the Argentina embargo on cattle hides.

Variety meats--U.S. exports of variety meats to the EC advanced to an alltime high of \$84 million in fiscal 1973, primarily because of the increased demand for meat in the Community. European demand for these products is strong for use in specialty products and food preparations. But in 1972/73, higher prices accounted for most of the value gain.

5. Record \$1.4 Billion in Agricultural Exports to Eastern Europe and USSR. Over \$1.4 billion in U.S. agricultural exports were shipped to Eastern Europe and USSR during fiscal 1973, nearly 3 times the \$353 million exported a year earlier. Almost 11 percent of total U.S. agricultural exports moved to these destinations compared with 4.4 percent in 1971/72. COMECON members took over \$1.3 billion; and the USSR was the largest buyer taking \$957 million. New records were established for exports to Czechoslovakia, Poland, Romania, and USSR. Large shipments of wheat, feed grains, and soybeans accounted for most of the increase. About 82 percent of total U.S. exports to Eastern Europe and USSR were agricultural products in 1972/73.

6. U.S. Agricultural Exports to the People's Republic of China Topped \$200 Million in Fiscal 1973. After a lapse of more than 20 years, the United States and the People's Republic of China resumed trade in 1971. By fiscal 1973, U.S. agricultural exports to the People's Republic of China, which accounted for over 90 percent of all merchandise traded, amounted to \$207 million. Grain exports totaled \$103 million and accounted for 24 percent of China's total grain imports of 6.3 million tons that year. China imported an estimated total of 1.7 million bales of cotton in fiscal 1973 of which 447,000 was from the United States. U.S. exports also included 33,000 tons of soybeans and 61,000 tons of oil with a combined value of \$27 million.

7. Japan Became the First \$2 Billion Market for U.S. Farm Products. U.S. agricultural exports to Japan doubled to a record \$2,254 million in fiscal 1973. Only 3 years ago Japan became the first billion-dollar foreign customer for U.S. agricultural products. The increase to Japan in fiscal year 1973 was concentrated in grains, soybeans, cotton, and hides and skins. Other gains included nearly all products but especially meats, soybean meal, many fruits and vegetables. Cotton exports increased to 1 million bales from 734,000 a year earlier. Exports of wheat rose to 3.4 million metric tons from 2.2

million a year earlier, and feed grains hit an unprecedented level of 8.5 million tons, sharply above the 3.8 million tons a year earlier. Soybean exports were 3.4 million tons compared with 3 million in the previous year. Shipments to other countries in Asia gained \$596 million, 36 percent above the 1971/72 level.

8. Exports to Latin America Exceeded \$1 Billion in Fiscal 1973. U.S. agricultural exports to Latin American countries in fiscal 1973 totaled over \$1.1 billion, over two-fifths above the year-earlier level. Because of drought, Mexico accounted for a big share of the gain, but exports also rose to Venezuela, Chile, Peru, Brazil, and Uruguay. The Caribbean countries increased their imports of U.S. farm products by nearly one-third because of rising demand for U.S. food products from the hotel and tourist industry, as well as because of gains in population and growth in income. On a commodity basis, grains accounted for close to two-thirds of the increase in exports to Latin America.

9. Exports Benefit Many U.S. Farmers. In fiscal year 1973, U.S. agricultural exports were equivalent to 21 percent of 1972 cash receipts from farm marketings. About 85 million acres, 1 out of every 4 harvested acres, of U.S. crop land were used in producing the farm products exported. In fiscal 1972, people in other countries bought about three-fourths of U.S. wheat production; two-thirds of rice production; nearly one-half of our soybeans and cattle hides; nearly two-fifths of the production of tobacco, tallow, and almonds; about one-third of farm sales of feed grains and cotton.

10. Agricultural Imports Gained 21 Percent in Fiscal Year 1973. The value of U.S. agricultural imports rose to \$7.3 billion compared with \$6.04 billion the previous year. Higher prices accounted for about four-fifths of the increase; volume was up less than 5 percent. Since commercial farm exports increased faster than agricultural imports, the net contribution by agriculture to the nation's balance of payments was \$5.0 billion. Supplementary (competitive) imports of agricultural products were \$4.71 billion, or 19 percent above the 1971/72 level. Price increases accounted for nearly three-fourths of the gain. Import prices were higher for feeder cattle, beef, pork, hides, wool, casein, sugar, wine, and some fruits and vegetables. Most of the increase in imports of supplementary products was accounted for by cattle, meat, dairy products, fruits, vegetables, wine, and oilbearing materials.

Complementary (noncompetitive) imports totaled \$2.6 billion compared with \$2.1 billion a year earlier. Volume was 4 percent higher but prices accelerated even faster. Coffee prices were up nearly one-fourth. Cocoa, rubber, and wool prices were also sharply higher.

U.S. Agricultural Exports in Fiscal Year 1973,
Compared with 1972 Production

Commodity	: Unit:	: Production:	: Exports:	: Percent of
			1972/73 ^{1/}	Production
				: Exported
		Million	Million	
		Units	Units	Percent
Dry edible peas.....	Cwt.:	3.9	3.3	85
Wheat ^{2/}	Bu. :	1,544.8	1,188.3	77
Rice, rough.....	Cwt.:	85.2	59.3	70
Dry whole milk.....	Lb. :	75.2	47.2	63
Flaxseed.....	Bu. :	13.9	8.8	63
Soybeans ^{3/}	do. :	1,282.9	714.4	56
Cattle hides, whole.....	No. :	35.8	18.5	52
Dried prunes.....	Lb. :	154.0	73.4	48
Almonds.....	do. :	150.0	59.9	40
Tallow.....	do. :	5,663.1	2,249.9	40
Tobacco, farm sales weight.....	do. :	1,749.1	662.4	38
Cotton.....	Bale:	13.7	4.7	34
Rye, grain.....	Bu. :	29.5	9.7	33
Hops.....	Lb. :	51.3	15.3	30
Raisins.....	do. :	210.0	57.8	28
Lemons and limes.....	do. :	1,736.0	437.8	25
Sorghum grain.....	Bu. :	821.8	190.4	23
Corn, grain.....	do. :	5,553.1	1,138.4	21
Dry edible beans.....	Cwt.:	18.0	3.3	18
Barley, grain.....	Bu. :	423.5	62.4	15
Nonfat dry milk.....	Lb. :	1,223.5	134.7	11
Variety meats.....	do. :	2,491.0	264.9	11
Lard.....	do. :	1,960.0	144.4	9

^{1/} Preliminary.

^{2/} Includes grain equivalent of wheat products exported.

^{3/} Includes bean equivalent of soybean products exported.

INTERNATIONAL TRADE

1. Preparation for GATT Multilateral Negotiations. Multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) were opened in Tokyo in September 1973. They are expected to be completed in about two years. Organizational and procedural questions are now in debate.

The impetus for this round of negotiations was given by joint declarations on trade policy in February 1972. The November 1972 twenty-eighth session of the GATT established a Preparatory Committee to develop methods and procedures for these comprehensive trade negotiations. The Preparatory Committee was instructed to work in coordination with the already existing GATT committees dealing with agricultural products, industrial products, and trade problems of developing countries. The Committee also drafted a declaration adopted at the Tokyo ministerial which sets the framework for this

round. It also set up a Trade Negotiations Committee to oversee the multilateral trade negotiations.

The U.S. position has been that the negotiations on agriculture must be meaningful and not separate from those of industry. In the first session of the Trade Negotiations Committee in October 1973, we opposed the creation of a separate subcommittee or negotiating group for agriculture which cannot take into account the general progress of negotiations on tariffs and nontariff barriers.

The proposed legislation (the Trade Reform Act) sent to the Congress would provide the necessary authority to negotiate these objectives for American agriculture.

GATT Director General Olivier Long visited Washington in March 1973 in connection with preparations for the new round of negotiations and related topics.

2. Multilateral Consultations in OECD. In 1973 the United States has made use of the Organization for Economic Cooperation and Development (OECD) as a forum for discussion of general economic issues, in particular the exploration of policy changes in the agricultural sector.

While the OECD is not empowered to negotiate trade matters, the pending multilateral trade negotiations not unexpectedly served as a backdrop for the April 1973 meeting of the Ministers of Agriculture, the first meeting in five years. It exposed some of the main philosophical differences that will confront the trade negotiations in GATT. Much of the attention centered around the statement by the U.S. Secretary of Agriculture who described changes being made in U.S. agricultural programs as a result of the supply-demand situation and efforts to orient U.S. farm programs to the market. He also suggested that the EC and other countries make similar appraisals of their farm policies.

The OECD Agriculture Committee in the past year began a series of intensive policy reviews of the farm programs of member countries. An effort was made to identify agricultural problems, placing them in a broader economic perspective. The U.S. has sought to get a full examination of the conflicts between national and regional policies which give rise to basic problems in agricultural production and trade. It is hoped that the results of this exercise will produce new policy directions.

Supply shortages on the cereals and animal feed markets was a major issue in several OECD bodies during the year. A special meeting took place in October and further consultations on the commodity outlook are planned in the months ahead.

3. Enlargement of the European Community. In 1973 the United States engaged in negotiations with the European Community to protect U.S. trading interests and rights in GATT that may be affected by the admission to the EC of the United Kingdom, Denmark and Ireland. These negotiations are still in progress.

The accession of the United Kingdom, Denmark and Ireland to the European Community on January 1, 1973, obliges the EC: (1) to submit to an examination in GATT to determine whether the enlarged EC is more protective on average than the original EC and the three new members were prior to enlargement, and (2) to negotiate adjustments in duties or other regulations in those cases where concessions in the U.K., Ireland and Denmark are being withdrawn or replaced by concessions from the enlarged EC at higher rates of duty.

The examination of the EC under GATT Article XXIV:5(a) began in March 1972. The GATT Working Party established for this purpose met nine times in 1972 and 1973 but could not reach agreement on how to measure the average change in protection caused by EC enlargement. The main stumbling block was the evaluation of the variable levies applied by the EC under its Common Agricultural Policy. The EC would not agree to a direct comparison of its variable levies with the customs duties previously applied by the new members.

Negotiations under GATT Article XXIV:6 began in March 1973, between the EC and those countries who have claims to compensation from the EC arising from changes in specific concessions previously held with the U.K., Ireland and Denmark. In the case of the United States the EC has contended that no compensation is due because decreases in industrial duties in the new members would, in the EC's view, offset increases in the agricultural sector. The United States has challenged this view and insisted on the right to compensation on specific products of interest to the United States. In November 1973 the EC drew up an offer of compensation on specific products of interest to all claimants. The United States is assessing the value of that offer to the United States.

4. U.S.-EC Bilateral Consultations. The United States has used the occasion of its regular semi-annual trade talks with the EC, as well as several visits of EC officials to the United States, to press further U.S. agricultural trade interests.

High level semi-annual consultations between the United States and the European Community took place in Brussels in March and in Washington in October 1973 against a background of expanding U.S. exports and high world prices owing in particular to the crop failures experienced by other important producing countries. U.S. direct export subsidies were eliminated on all products; EC export subsidies on grains were substantially eliminated. The talks in March stressed the negotiations with the Community over the accession of the U.K., Ireland and Denmark to the EC, and the need to build and maintain a climate of liberal trade if the United States is to continue to be able to meet world food needs in times of shortage. The talks in October further reviewed the food situation, the opportunities for further consultations on this subject in the OECD, the FAO, and the UN World Food Conference proposed for 1974 by Secretary of State Kissinger.

The United States received in Washington high level delegations during the year from the governments of Germany, Italy, and the United

Kingdom, the European Commission and the European Parliament, the OECD and the GATT to discuss agricultural trade relations as a matter of top priority. In addition the Secretary and other high officials of the USDA have visited Europe to explain U.S. trade policy objectives and explore the outlook for their achievement. EC interest in these exchanges has focused in large part on the outlook for stable supplies, especially following the U.S. announcement of export controls on soybeans and soybean meal. The United States in turn has used these exchanges not only to further general trade objectives, but to raise specific issues, including the EC's proposal to establish a support program for EC-grown soybeans.

5. Bilateral Trade Consultations with Japan. Consultations have continued with Japan for the purpose of reducing and eliminating barriers to U.S. agricultural trade.

Japan is the best national market for U.S. agricultural exports--over \$2 billion in fiscal 1973. In the past year, the Government of Japan has taken a number of important economic policy measures designed to liberalize trade further and resolve bilateral economic problems with the United States: two revaluations of the yen, totaling 35 percent, further reduction in the number of quotas on imports, reductions in tariffs, and elimination of most export incentives and "buy Japan" procurement policies.

U.S. and Japanese officials held their ninth ministerial meeting in Tokyo in July 1973 to discuss economic and trade matters. As a result of this meeting the Government of Japan responded to long-standing USDA requests for meaningful forecasts of Japanese import needs. In a subsequent meeting held in Washington in October 1973 officials of the Japanese Ministry of Agriculture and Forestry provided the Department with detailed forward estimates of Japan's imports from the United States and third country suppliers through July 1974. Information will facilitate Japanese-American trade and aid the Department in gearing the U.S. agricultural sector to meet Japanese import requirements. Further meetings are planned as part of an ongoing exchange of economic information and trade negotiations.

6. East-West Trade. Contacts with communist countries are continuing in order to provide for the further expansion of U.S. exports to these countries.

United States agricultural trade with the managed economies amounted to \$1.4 billion in fiscal year 1973, 10.8 percent of the total U.S. export value of \$12.9 billion. The outlook is for the pattern of growth established in 1972 to continue through fiscal 1975.

The Soviet Union--U.S. farm sales to the Soviet Union increased from \$150 million in fiscal year 1972 to \$1.23 billion in fiscal year 1973. Included were Soviet purchases of 400 million bushels of wheat, about 200 million bushels of corn, 15 million bushels of rye, and 25 million bushels of soybeans.

The value of actual shipments of these commodities amounted to approximately \$803 million during fiscal year 1973, of which \$460 million

was financed by Commodity Credit Corporation credit. All repayments to CCC have been made on schedule as specified in commercial letters of credit confirmed by commercial U.S. banks.

Eastern Europe--Exports to Eastern Europe are expected to reach \$600 million to \$700 million during the next fiscal year, up from \$454 million during the last year. Gains are expected in wheat, soybeans, soybean meal, and cotton.

The People's Republic of China--Improved relations with China have resulted in a significant upgrading in the level of trade with the United States. In fiscal year 1973 agricultural exports to the PRC totaled \$207 million, including \$38 million worth of wheat, \$64 million of corn, \$77 million of cotton, and \$18 million of soybean oil.

Outlook--The outlook for fiscal year 1974 is for continued sustained growth of farm exports to the managed economies. Further Soviet participation in the American commodities market is expected, though shipments to the USSR should decline from last year's level because of the very favorable outturn of this year's Soviet crop. While grain purchases from the United States seem firm at 8 million tons, sales of soybeans are uncertain as the Soviet Union has harvested record crops of sunflowerseeds and cotton. Therefore, exports probably will total around \$700 million; but higher if the Soviet Union purchases soybeans.

The PRC may purchase over \$1 billion worth of U.S. farm products in fiscal 1974. The rise will stem mainly from increased purchases of wheat, cotton and soybeans, but feedgrain sales also are expected to be well over last year's 841,000 ton level.

7. Trade Liberalization During Fiscal Year 1973. France agreed to liberalize quotas and to set up a schedule for the phase-out of quantitative limitations on imports of dried and dehydrated vegetables, canned peaches and fruit cocktail, and dried prunes.

West Germany extended, indefinitely, the issuance of import permits for horses from Western Hemisphere countries.

Italy renewed the import period for grapefruit which was to have expired on March 31, 1973.

Canada temporarily reduced the tariffs on certain livestock and livestock products and selected fruits and vegetables.

Portugal reclassified soybean oil as an edible oil permitting domestic consumption and increased imports.

Algeria instituted a new tariff system which provides for lower duties on the entry of a number of agricultural products.

Ecuador removed the tariff on wheat and lowered the rate of duty on oats and husked oats for one year.

Greece exempted soybeans crushed for oil exports from all taxes, duties and tariffs, reduced the ad valorem duty rate on animal fats and oils by 17 percent, and extended the period of duty free importation of animal feedstuffs for one year.

Iran reduced the deposit for registrations of butter, cheese, eggs, cereals and certain feedgrains and removed the restrictions on imports of boiled sweets, biscuits and sausages.

South Korea implemented a partial tariff reform including a reduction of duties on breeding stock, dairy cows, and sausages.

New Zealand allowed an increase in U.S. shipments of turkey rolls and roasts through an increase in the licensing allocation.

8. Actual or Anticipated Fiscal Year 1974 Trade Liberalization.

United Kingdom agreed to increase and eventually remove quotas on fresh and processed citrus products as of October 1, 1975, on cigars as of January 1, 1976 and on rum as of January 1, 1977.

Australia instituted an across-the-board tariff reduction of 25 percent.

Taiwan reduced by 20 percent the customs tariffs on nineteen commodities including soybeans, maize and barley. In addition, the Taiwan Board of Foreign Trade limited imports of rendered beef tallow to North American sources.

Turkey reduced the duty on meats, butter, milk powder, and vitamins used in animal feeding. In addition, pulses and cereals were exempted from duty payment.

Japan liberalized imports of roasted groundnuts by removing them from the import quota list as of November 1, 1973. Malt will also be removed from the import quota list as of October 1, 1974 and placed under a tariff quota system.

9. Dairy Import Restrictions Temporarily Relaxed. To meet supply shortages of manufactured dairy products resulting from a sharp decrease in U.S. milk production, the import quotas on certain items were temporarily increased by various Presidential Proclamations during the past year.

The largest quota increase was for nonfat dry milk, amounting in four separate actions from December 30, 1972 to August 28, 1973 to 265 million pounds. The regular annual quota, reflecting a normal condition of surplus domestic production, is 1.8 million pounds. In April 1973, the quotas for cheese were each increased by 50 percent, the increases aggregating approximately 86 million pounds. Effective November 1, 1973, imports of an additional 56 million pounds of butter and 22.6 million pounds of butter oil were authorized. The regular annual quotas for these items are 707,000 pounds and 1.2 million pounds, respectively.

The purpose of the regular import quotas is to prevent imports from interfering with the price support program for milk by causing unnecessary Commodity Credit Corporation purchases of manufactured dairy products. This year, with milk production down nearly 4 billion pounds from 1972, market prices have risen substantially above support levels and CCC support purchases have ceased. In all of the nonfat dry milk instances as well as in the cheese import action, the legally required investigation by the Tariff Commission concluded with findings that the additional imports would not interfere with the support program. As of December 1973, the investigation on butter and butter oil was still in progress.

In view of the unfavorable outlook for any early recovery of nonfat dry milk production, the Department has recommended that the import quota be indefinitely suspended and that a similar suspension apply to the related product category of animal feeds containing milk or milk derivatives ("milk replacers"). Should the situation change fundamentally, the Department would initiate action to re-establish quota controls as necessary. Final decision on the proposal is pending.

10. First Session of US-USSR Joint Committee on Agricultural Cooperation Held in Moscow. In accordance with the June 19, 1973 Agreement on Cooperation in the Field of Agriculture, the first session of the US-USSR Joint Committee on Agricultural Cooperation was held in Moscow November 13-15. The primary objective of the U.S.-side of these talks was to obtain Soviet agreement to provide agricultural economic information which will enable USDA to make better estimates of world supply and demand for agricultural commodities and thus improve planning of U.S. production and foreign sales. The meetings were held in an atmosphere of friendliness and cooperation and while the U.S. did not obtain Soviet agreement to provide all of the information asked for, the Soviets did agree to release more than expected. In addition, the Soviet Vice Minister of Agriculture agreed to do what he could to expand the range of data exchange and to have his ministry act as the coordinating agency in securing cooperation in the exchange of foreign trade data and forward estimates. The Soviet side also agreed to meet semi-annually to review production plans of the two countries. This first session was a significant step forward and laid the groundwork for full realization of U.S. goals in cooperative exchange of data and for a broad spectrum of agricultural cooperation with the USSR.

AGRICULTURAL ATTACHES

1. Increase in French Quotas on Canned Fruits and Dehydrated Vegetables. A long-standing trade issue with France has been the continuation of quotas on certain fruit and vegetable products which have been in violation of GATT regulations. This issue has been resolved with the exception of canned pineapple. As a result of continued USDA pressure, mainly through our Paris Attache office, the French have agreed to increase the quotas on dried and dehydrated vegetables, tomato juice and canned fruit until the quotas are eliminated entirely by January 1, 1975. The quota for prunes packaged for retail will be increased annually and eliminated by January 1, 1978.

2. Soybean Oil Now Edible Oil in Portugal. On May 25, 1973, the Government of Portugal announced that soybean oil could be sold to the public as an edible oil. This is the culmination of concerted efforts by the Lisbon Embassy Attache office, over a long period of time, to have this non-tariff barrier removed. However, the direct importation of soybean oil is prohibited as only oil from locally crushed soybeans may be used. The removal of this prohibition is the subject of further negotiations.

3. Improved Areas for U.S. Grapefruit into Italy. Continued representations by the Agricultural Attache to the GOI achieved extension of permission through calendar year 1973 for the importation of U.S. grapefruit into Italy.

4. U.S.-Italy Reach Accord on Meat/Cattle. After long negotiations and continued follow up by the Attache, the U.S. and Italy finally reached accord in spring 1973 on the importation of beef, veal and horsemeat from the U.S. Several long-standing health problems were resolved in an agreement which permits importation of U.S. cattle into Italy.

5. Wheat Market Opened Up in Austria. After several years of effort on the part of the Agricultural Attache, Austrian officials removed the traditional discrimination against the U.S. shipment origin for wheat. During 1972-73, Austrian wheat purchase tenders permitted the submission of offers of the U.S. As a result, U.S. sales sky-rocketed. It is estimated that around 100,000 tons of wheat will be imported during the year, most of it from the USA.

6. Opening of Danish Market for U.S. Wheat. Prior to EC membership, Danish mixing regulations amounted to a de facto embargo on imports of food wheat, but such regulations could not be maintained under the EC grain CAP. As soon as Danish membership of the EC was assured the Attache suggested that officials of Great Plains Wheat, Inc. accompany him on calls on the Danish millers' association and the Danish bakers' associations. These calls were made in late November, and interest stimulated in the importation of U.S. hard wheat to improve domestic bread quality. The Bakers' Association financed baking tests carried out with samples of 100% U.S. wheat flour and a blend of U.S. and European wheat flour, supplied by Great Plains Wheat, Inc. in Rotterdam. The favorable results, widely published, stimulated interest by Danish millers, and the three largest mills are now marketing a flour produced solely from imported U.S. wheat as well as a blend flour from U.S. and Danish wheat. Imports from the U.S. during the first quarter of 1973 have doubled compared with last year and greater growth is expected.

7. Furs to Switzerland. The Bern office's cooperation with EMBA Mink Breeders Association has been extremely effective this past year. The jump in U.S. sales of mink and other associated furs of 88% to a total of over \$16 million during FY 1973 can be credited largely to the work of this cooperator with the assistance of the Attache. Furs ranked as our second largest agricultural sale to Switzerland during FY 1973.

8. France Buys U.S. Breeding Stock. In FY 1973 the first sales of U.S. dairy breeding stock were made in France. In December 1972, an airplane containing 49 heifers and 15 Holstein bulls plus 5 Brown Swiss heifers arrived in France. This shipment was arranged by Illinois Produce International with attache office involvement. A shipload of 323 Holsteins, 294 heifers and 29 bulls arrived in France in June 1973. Actually, sales of 150 more heifers could have been made if U.S. sellers had been able to collect them. Follow-up sales are anticipated.

9. U.K. Soybean Imports Increased More Than Two and a Half Times. Soybean imports in the U.K. (mostly of U.S. origin) jumped from 271,842 long tons in July 1971-May 1972 to 710,358 long tons in July 1972-May 1973. The increase is due to various factors. In May 1972, a team of nutritionists from the U.K. compound feed industry were sent to the U.S. As a result of this trip, interest was stimulated in replacing fishmeal with soybean meal. This interest coincided with a shortage of fishmeal, so usage of soybean meal increased significantly. Even when fishmeal supplies become more plentiful, we look for a continued reduction of this product in compound feeds in the U.K.

10. U.S. Sales of Wheat to Philippines Continue at High Level as Result of Attache's Efforts. The Philippine Government imposed price ceilings on flour at the time of rapidly increasing world prices of wheat in the fall of 1972. This placed millers in position to lose money on every bag milled. In early 1973 Philippine mills stopped buying wheat and even cancelled some existing orders. The Agricultural Attache with assistance from Western Wheat Association representatives met with Philippine officials and were able to persuade them to remove these ceilings and wheat purchases were subsequently resumed.

11. Feedgrain Sales to India. During FY 1973 India imported about 1.7 million metric tons of feedgrains for hard currency, most of which came from the U.S. Serious quality problems were encountered (the presence of Jimsonweed seed in milo and ergot infestation in wheat). By working closely with appropriate GOI officials in helping to overcome the quality problems encountered, the Attache office and USDA cooperators succeeded in keeping import doors open for future Indian government purchases of grain in the U.S.

12. First Large Sale of U.S. Breeding Bulls to India. Through persistent efforts of our Attache staff and other U.S. livestock interests in India, a sale of 113 U.S. dairy breeding bulls was made to India. We believe this will be the first of a series of sales which U.S. dairy farmers will make to that country during the next five years. In its Fifth Five-Year Plan, 1974-75 through 1979-80, India expects to import from 400 to 500 head of top breeding animals annually. Follow-up activities now underway, we believe, will assure that the U.S. will supply most if not all of these additional commercial purchases of dairy breeding stocks.

13. American Foods Exhibitions in Japan in Fall of 1973 Set New Records for Off-The-Floor and Projected Sales During 1974 in Sapporo, Nagoya, Fukuoka, and Osaka. These shows which were organized and operated by the Tokyo Agricultural Attache office had off-the-floor sales of \$475,000 and a 12-months projection of \$10,500,000, larger than in any previous year when the similar exhibits were held. Attendance, totaling 2,919 registered visitors, was also markedly higher, indicating an increase of interest in the wide variety of increasingly diversified American food products available on the Japanese market. Japan in FY 1973 was the number 1 U.S. agricultural export market, buying approximately \$2.1 billion worth of U.S. farm products.

14. Sunkist Exports 300,000 Cases of Lemons to the USSR. Not only was the 1973 trade the first Soviet purchase of U.S. fruit, it also was the first USSR direct import of any ready-to-consume food product from the U.S. The sale was facilitated by the Moscow Attache office which arranged the contacts with Soviet import agency. As a result of this trade the USSR requested tenders for other U.S. citrus and citrus oils.

15. Hong Kong Agricultural Office Trade Servicing of \$92 Million U.S. Agricultural Exports to That Market in FY 1973. This meant, for example, handling information requests numbering at least 100 in FY 1973 and helping to arrange appointments with local importing interests including PRC officials in the China Resources Corporation in Hong Kong. China watching is another vital job of our Agricultural office there, but market development efforts to both Hong Kong and the PRC continue of prime importance. An instance of this in 1973 was the intermediary part played in the sale of several hundred head of breeding swine to the PRC.

16. 1973 Canadian Imports of U.S. Soy Protein Food Products Will Probably Exceed \$3 Million. Recognizing the Canadian import potential of U.S. soy protein products such as meat extenders, the Agricultural Attache in Ottawa provided U.S. exporters with detailed information on Canadian market potential and conditions for these commodities. Assistance was also provided the U.S. industry on current Canadian tariff structures and import requirements. The 1972 Canadian imports of such edible proteins from the U.S., including all of the soybean flour commodities, were valued at only \$1.3 million.

17. U.S.-USSR Agreement on Cooperation in the Field of Agriculture Signed June 19, 1973 in Washington. The first session of the U.S.-USSR Joint Committee on Cooperation followed in November in Moscow. Our Agricultural Attache in Russia was instrumental in developing the U.S. negotiating position for this agreement and effectively served as liaison between USDA and the USSR Ministry of Agriculture in the arrangements for these matters. He also participated in the joint committee negotiations which culminated in important further progress in U.S./Russian agricultural relations.

18. APHIS Assisted by the USDA Attache Staff in Canberra Again in 1973 Assuring Wholesomeness of Meats Imported Into U.S. from Australia. Attaches in other major meat exporting countries fulfilled the same important function, namely essential liaison between USDA and their respective host government. Such exports to the U.S. and elsewhere frequently comprise the major foreign currency earner of such nations. Since meat trade and APHIS involvement therein is of such significance to these countries, the Attache must also keep the U.S. Mission, particularly the Ambassador, fully informed on this program. For example, a suspension a few years ago of all Australia mutton imports into the U.S. by APHIS required the most careful handling by the Attache to ensure that damage to other U.S. interests by this action was minimized.

19. Important P.L. 480 Research Programs in Poland Kept Rolling by Attache Office. ARS research projects in Poland number around 60. Paid for with excess currency zloties, the cost of this research was in 1973 about \$1 million. All U.S./Polish correspondence on this program moves through our Warsaw Attache Office. Traveler servicing is heavy. The Attache, as ARS representative on-the-spot, must keep this program out of the Government of Poland or the U.S. Government bureaucratic difficulties which have in past severely curtailed research opportunities. ARS, which operates such programs in 13 countries, was of course similarly assisted by other assigned Attaches in administering these research activities.

20. Ecuador A Rapidly Growing Market for U.S. Leaf Tobacco. Leaf imports were expected to increase from just slightly over 1.0 million pounds in 1972 to around 1.4 million pounds in 1973. The Agricultural Attache's activities have helped to build this expanding market for U.S. producers through his close industrial contacts.

FOREIGN MARKETING

General Sales Manager

1. Shipments under P.L. 480 Program Reduced in 1973. The Public Law 480 program was extended through December 31, 1977, by the Agriculture and Consumer Protection Act of 1973.

Shipments in FY 1973 were reduced somewhat from previous year's levels in terms of quantities. This reduction reflected primarily the tight supply situation which developed for some commodities. The largest reduction was sustained in wheat exports. In recent years, 200-300 million bushels of wheat have moved under the program; in fiscal 1973, this figure dropped to less than 150 million bushels.

2. Title I and II Programs Total \$655 Million and \$290 Million, Respectively. Shipments in FY 1973 under Title I, totaling \$655 million were made up mainly of wheat, rice, feed grains, cotton, and vegetable oil. Ocean transportation costs financed amounted to \$57 million.

The Title II program provided \$290 million worth of agricultural commodities during fiscal year 1973 for food aid under the following programs: (a) the U.S. Voluntary Agency Program--\$133 million; (b) Government-to-Government Program--\$120 million; and (c) the World Food Program--\$37 million. Ocean transportation costs in connection with the Title II programs amounted to \$104 million.

3. 1974 Outlook for P.L. 480 Shipments Reduced. Projected shipments for fiscal year 1974 reflect substantially reduced quantities in rice, grains, and cotton, although P.L. 480 program costs are not expected to change materially. The reduction in quantities reflects the current tight commodity supply situation as well as sharply higher unit rates.

4. CCC Export Credit Sales Program Totals \$1.0 Billion in 1973. In fiscal year 1973 the value of exports under the program totaled \$1,028.5 million compared with fiscal year 1972 exports of \$371.6 million. The program was particularly effective in expanding or maintaining commercial exports to Iran, Korea, Philippines, Thailand, Peru and Greece. Fiscal year 1973 also saw continued extensive CCC credit financing of agricultural exports to communist countries of Eastern Europe--Poland, Romania, and Yugoslavia, and for the first time, the USSR.

The first half of fiscal year 1974 was characterized by credit restraints due to the tight commodity supply situation. We are continuing to finance commodities under established lines of credit. Twelve month credits have been suspended and 16 commodities have been removed from the eligibility list. Commitments for FY 74 as of December 10, 1973, total about \$375 million. Requests for new credit lines must go before an interagency group for review. No new credits have been established since March, except lines for Chile and Pakistan.

5. Barter Program Reaches \$1.1 Billion During the Year. In fiscal year 1973, the value of exports under the Barter Program totaled \$1.1 billion as compared with fiscal year 1972 exports of \$876 million. The leading commodities exported were feed grains (mostly corn), cotton, and tobacco.

The Barter Program was temporarily suspended as of July 1, 1973 because of a determination that the current world supply and demand situation negates the need for use of barter export assistance to meet foreign competition. Present prospects make it unlikely that the program will be reactivated in the foreseeable future. Exports during FY 1974 (estimated at \$325 million) and FY 1975 (estimated at \$15 million) will complete existing barter contracts.

6. Export Payments on Wheat, Wheat Flour, and Rice During FY 1973. Export payments are made to U.S. exporters to enable them to be competitive with other major exporting nations. In fiscal year 1973, export payments no longer became necessary for this purpose. Export payment rates were dropped to zero on the following dates: wheat--September 22, 1972; wheat flour--January 10, 1973; and rice--December 21, 1972. As a result, payments were made on about three-fourths of the wheat and flour and about 70 percent of the rice exported in fiscal year 1973.

Export payments on wheat and flour totaled nearly \$304.3 million. The payment rate averaged 34 cents per bushel. The rice export payment averaged about \$1.75 per hundredweight, and payments totaled \$49.8 million. (All data includes payments for P.L. 480 exports as well as on commercial sales.)

7. FY 1973 Sales for Export from CCC-Owned Stocks Totaled \$70 Million. Sales of CCC-owned commodities for export are made when private stocks are inadequate to meet export requirements. On occasion, sales of these commodities are also made to foreign governments, and to private relief organizations at special prices for school lunch and other charitable uses.

In fiscal year 1973, the following commodities were sold from CCC-owned stocks: barley, oats, wheat, rough rice, butter, dried milk, flaxseed, linseed oil, and shelled peanuts. Proceeds from such sales totaled \$70.4 million.

Market Development

1. Increasing Buyer/Seller Contact. Developing international sales requires increased trade contacts. These are primary objectives of both cooperators and FAS when scheduling promotional activities.

a. Exchange Team Visits with Bloc Country Result in Sales. In April 1973 a livestock marketing team comprised of Holstein and Hereford Breed Association officials and an FAS marketing specialist went to Czechoslovakia and Hungary to promote U.S. breeding cattle. At the invitation of the U.S. team a Hungarian purchasing team visited cattle operations in the U.S. the same

month. The exchange visit resulted in the Hungarians purchasing 1,982 head of Holstein and 980 head of Hereford breeding cattle. Value of these purchases totaled nearly three million dollars.

b. FAS Market Development Program Encouraged New Firm to Export. One of the most notable market development successes during 1973 resulted from the decision of an Eastern turkey processor to look into the export market. With the active encouragement of the Poultry and Egg Institute of America (PEIA) and FAS the firm made the decision in 1973 to treat the export market as an extension of the domestic market. It began with the firm's participation in the HORESCA food fair in Brussels in early 1973. Four company officials participated, including the Director of Quality Control. As a follow-up, the participating executives made calls on traders in eight other Western European countries following an itinerary prepared by the PEIA European office. At last report this company was exporting one container of product per day valued at approximately \$20,000.

c. Importance of Timely Market Information. During the past year, cooperators provided timely and reliable market information to buyers and government officials in foreign countries, reassuring them that the U.S. is a reliable supplier. Cooperators also arranged and/or sponsored travel to the U.S. by key foreign industry and government officials to enable them to negotiate purchase agreements directly with sellers. On a visit to the U.S. in June 1973, the Taiwan Government and Trade Team completed agreements with U.S. trading firms for a large percentage of Taiwan's grain needs during the next three years, calling for 1,650,000 metric tons of wheat, 750,000 tons of barley, 1,800,000 tons of soybeans and 1,350,000 tons of corn.

d. Trade Development Officer (TDO) System Produces Sales. The TDO system has been in operation about three years for the purpose of maintaining liaison with foreign buyers. The direct results of some trade contacts are impressive. Tradesmen from the Middle East reported in July and December 1972 that their purchases of U.S. foods as a result of trade leads totaled about \$300,000. One trading firm in the Caribbean reportedly made purchases of nearly \$500,000 worth of U.S. agricultural products between September 1972 and October 1973 with prospects for additional purchases amounting to \$500,000 through June 1974.

e. Technical Servicing Well Received. U.S. consultants on cotton spinning technology presented seminars in 17 countries in Europe and the Far East. They contacted 97 mills in the countries regarding U.S. cotton. Personal contacts and unsolicited letters to CCI indicate excellent reception of the visits by U.S. cotton technologists. The program's greatest benefits centered upon tradesmen's improved understanding of where U.S. cotton is grown, the quantities available for export and possible supplier contacts.

f. Trade Opportunity Referral Service Keeps Growing. Since July 1, 1972 the Trade Opportunity Referral Service (TORS) made substantial progress as shown below.

1. About 500 firms have been added to the computerized listing of interested U.S. suppliers, bringing the total to 2,253 from 44 states.

2. A total of 1,706 foreign trade inquiries were processed.

3. The TORS became fully automated in May 1973 and inquiries are mailed to the interested U.S. companies in a matter of days, instead of the former 3 to 4 weeks required for the manual operation.

4. Since July 1972 the agricultural attaches have reported 92 sales totaling \$11,473,599 that can be attributed to contacts through TORS direct mailings and Export Briefs.

g. Livestock Shows in Italy Attract Buyers. FAS and segments of the American livestock industry participated in three Italian agricultural fairs--Cremona International Dairy Fairs (September 1972 and September 1973) and the general Agricultural Fair in Verona, Spring 1973. It is estimated that on-site sales at these three events exceeded three-thousand head of livestock, valued at over \$6 million.

2. Involving Groups New to Exporting. FAS has adopted a stronger posture toward encouraging others into export business and market promotions.

- a. Far East Promotions with State Groups. Eighty-four U.S. commercial exhibitors plus four U.S. commodity cooperators featured a wide variety of U.S. products in the American Food Exhibitions at the U.S. Trade Center and the Hotel/Restaurant/Institutional (H.R.I.) exhibit at the Tokyo Hilton Hotel during April 1973. Trade attendance was nearly five thousand at the two events. Floor sales were reported at \$370,000 with projected twelve-month sales estimated at nearly \$11 million. Two-day exhibits and demonstrations of U.S. foods were also held in Hong Kong and Singapore for members of the local hotel/restaurant and institutional trade. Forty-three firms exhibited in Hong Kong and 30 in Singapore. Trade attendance was 700 in Hong Kong and 765 in Singapore. Repeat exhibitors and participants felt that these shows received substantially greater support and attention from local buyers than in previous years. Follow-up inquiries indicate that during the first six months actual sales made as a result of the exhibits were in excess of \$6 million, and projected sales through June 1974 will approach \$17 million.

- b. Industry Association Promotes With Success. In the spring of 1973 selected producers of fresh produce from Arizona and

California representing the Western Grower's Association (WGA) made a visit to Tokyo to assess the market potential for U.S. fresh produce. The visit resulted in the planning and implementation of a multi-media promotion in the summer of 1973.

Assisted by the agricultural attache, the WGA persuaded a group of 55 high volume stores in the metropolitan Tokyo area to cooperate with in-store demonstrations and sampling of U.S. fresh produce. The promotion lasted an entire week with strong press and television coverage. Additionally, the Western Grower's Association and FAS co-sponsored a trade show at the U.S. Trade Center in Tokyo on August 6 and 7, 1973. About 60 members of the WGA went to Tokyo at their own expense and more than 1,000 trades people visited the U.S. fresh produce displays.

At least 20 California and Arizona melon and vegetable shippers made sales on-site. It is projected that California and Arizona will earn about \$3.1 million this year from the new market. Reportedly, at least 12 containers of cantaloupes, honeydew melons, lettuce and celery are being shipped weekly to Japan on the new fast vessels that take about 5½ days for the Pacific crossing.

c. The Atlantic International Marketing Association, (AIM) in cooperation with FAS sponsored a 2-day food exhibit in Hamilton, Bermuda, October 2 and 3, 1973. Twenty-seven U.S. food companies, represented by company officials and/or Bermuda agents, exhibited a wide variety of American food products to the food trade in this prosperous market. The exhibitors came from six member states of AIM (Georgia, Maryland, North Carolina, Pennsylvania, South Carolina and Virginia), and from Maine. More than half of the exhibitors were new to the Bermuda market. All exhibitors seeking agents reported that they had established agency relationships by the time the show closed. Ten of the 14 exhibitors responding to questions 30 days after the show closed estimated that their food sales to Bermuda within the next 12 months would be nearly \$1 million.

d. State and Industry Officials Pool Efforts. In June 1973, FAS, the New Jersey Department of Agriculture and the North American Blueberry Council sponsored a trip to London to publicize blueberries. Samples were distributed and in-store and trade demonstrations were held. Press coverage was obtained.

Since that time, contacts have been maintained and expanded by industry directly and through the office of the agricultural attache which had made the initial contacts and arrangements. This activity has now culminated in the sale of six container loads (240,000 pounds) of frozen blueberries to be shipped on November 16. Buyers indicated that this is just the start of a growing business relationship.

3. Testing of New Activities. In our continuing effort to help the U.S. agri-business community take advantage of export opportunities, we have initiated new types of activities in numerous locations.

a. Identified Soyoil Promotion in Italy. In Italy a recent turn of events has made it possible to initiate a promotional campaign for identified soybean oil. It began May 1, 1973, and is being administered by the American Soybean Association under a market development agreement with FAS.

The agreement is through April 30, 1974 at a cost of about \$250,000 to FAS. Sales are expected to exceed 25 million pounds of identified soyoil during the period of the agreement. The Italian program in addition to increasing sales directly has induced one other Italian firm to begin promoting identified soyoil which would further benefit U.S. soybean sales. Results of this program are expected to also influence others in Europe to produce and sell identified soyoil.

b. Export Sales Team to Switzerland Had Busy Time. An export sales team represented by top officials from five U.S. food companies and accompanied by the Export Director, Texas Department of Agriculture, conducted 68 interviews with 30 Swiss firms. This was a pilot program designed to encourage U.S. food firms to enter the export market with products acceptable to the country through direct meetings with foreign buyers. As a result, one firm made a trial order of 200 pounds of flavors to a restaurant chain. A second firm estimated potential sales of \$150,000 to \$200,000 within a year depending on product availability. A third company said that within one year \$50,000 to \$100,000 worth of sales would result from its participation. Eight Swiss firms showed interest in future purchases of powdered eggs from the fourth U.S. participant.

c. Beef Feedlot Demonstrations in Korea and Japan. The beef feedlot demonstration conducted in Korea in 1973 was visited by interested people not only of Korea but also from Japan and Taiwan. Following such visits, practices being demonstrated were incorporated in commercial feeding programs in all three countries. More than 100 small cattle feedlots have been established in Korea, and the U.S. Feed Grains Council has established similar demonstrations in Japan.

4. Creating New Market Opportunities. As in the past, FAS and cooperators continue to open new marketing avenues by working to change regulations as well as developing and introducing new products.

a. Concentrated Orange Juice to Japan. Following repeated U.S. Government and industry requests to permit the importation of bulk orange juice concentrate into Japan for blending purposes, GOJ announced on August 25, 1973, the establishment of a "special quota for blending" for FY ending March 31, 1974. The initial quota for blending was 350 metric tons. In addition, the GOJ provided for a 150 metric-ton increase in the regular juice quota, raising the total global quota to 1,000 metric tons from the previous year's level of 500 metric tons. This change will enable the U.S. citrus industry to attain a 100% increase in revenue from sales of orange juice to Japan. U.S. currently supplies 80% of Japan's orange juice imports.

b. Soy Protein in Japan. In FY 1973 ASA helped sponsor taste tests with school children in the Tokyo area for meat sauces, Sloppy Joes, hamburgers, hot dogs, sandwiches, and pizza using soy protein. The Sloppy Joes were very popular and ¥8,548,000 worth of favorable publicity was generated against an ASA input of ¥1,200,000 (\$3,896). As a result, four major protein manufacturers announced plans to produce Sloppy Joes with 30% soy protein for the school lunch and restaurant markets.

c. Soy Oil and Peanut Butter Mix Well in Japan. Through work with the School Lunch Study Institute in Tokyo, ASA helped to develop a successful formula for producing a highly satisfactory and nutritious peanut butter spread using 30% soy oil and 30% U.S. peanut butter, with the remainder being milk solids, sugar, and small amounts of other ingredients. The spread is popular with the school children. It appears that 300-500 tons of U.S. peanut butter and 2,500 tons of soybeans, valued at nearly \$400,000, will be used per year.

d. Sales Potential Favorable for U.S. Cotton Textiles in Eastern Europe. In a cooperative project with FAS, two representatives of American Textile Manufacturers Institute conducted an on-the-spot survey in June-July 1973 to determine the potential for expanding U.S. exports of 100 percent cotton yarn, fabric, towels, bedsheets, pillowcases, and other made-up goods to 6 East European countries. The findings indicate good possibilities for U.S. exports of cotton textiles to Eastern Europe, if U.S. exporters adopt the necessary deviation from traditional marketing methods. Competitive pricing and quality, and liberalization in trade policies by both the United States and the countries surveyed were considered key factors in U.S. obtaining a share of Eastern Europe's expanding market for cotton textiles. This survey, encouraged U.S. textile exporters to pursue the matter of exporting more cotton in the form of textiles to the countries surveyed.

e. U.S. Deboned Chicken Meat to Hong Kong. As a result of continued promotional efforts by the Poultry and Egg Institute of America, deboned chicken meat from the U.S. has been introduced to the Hong Kong market and was sold there on a commercial basis for the first time in FY 1973. During the year PEIA third party cooperator brought in 15 tons of the product for one of its subsidiaries for the preparation of Chinese style ready-to-serve consumer food items. This same firm has contracted for the import of U.S. deboned chicken meat at a rate of approximately 14 tons per month during FY 1974.

FOREIGN COMMODITY ANALYSIS

1. Evaluation of the Need for Export Controls for U.S. Wheat and Feed Grains. Effective analytical work relative to prospective foreign demand for U.S. grains in 1973 has been a major factor in helping to avoid an unnecessary or premature imposition of export control measures. It is generally accepted that export controls on U.S. grains would have the effect of causing a temporary, and possible extreme,

increase in world grain prices. This would have placed a severe burden upon importing countries, especially those in less developed areas of the world. This would also have acted to stimulate uneconomic expansion of grain production in foreign countries. These effects would reduce the longer term potential outlet for U.S. grains in foreign markets. On the domestic side, such controls would have tended to reduce internal U.S. prices, thus providing less incentive for needed expansion of grain output within the U.S.

2. Development of Automated System for Competing Grain Supply/Distribution Data for Numerous Countries. The need for detailed foreign grain supply/distribution data for forecasting world supply and demand has led to the development of a data processing system for compiling and manipulating this information. The principal source for the data going into the system is agricultural attache reports covering some 95 countries. The system also allows for combination of country data on a regional basis such as for the EC-9, South America, Asia, etc. As the data becomes available it is coded into the system and monthly printouts summarize the inputs. The printouts include area, yield, production, stocks, imports, exports and domestic use (including feed use) for all the major grains in each country or regional grouping. The system (machine) gives us a finished product that is ready for distribution to the public or interested government agencies.

3. New Publication Containing Periodically Updated Data, Forecasts, and Analysis of World Grain Situation and U.S. Grain Exports. As a result of the increased interest in and significance of U.S. grain in world export markets a new series of reports has been initiated to assist producers and producer-oriented market news media to keep abreast of continuing changes in the foreign supply-demand conditions for grain. These reports, which have been published bi-monthly, highlight the significant overseas developments. They provide data on world production, trade and stocks for both wheat and feed grains for the current season as well as changes which have occurred since the last publication. The publication has been well accepted by producers, the news media and exporters as a useful tool in making marketing decisions, in much the same way as domestic U.S. crop estimates are used to periodically revise U.S. supply-utilization forecasts for grains during the course of the crop year.

4. Analysis of the USSR Grain Situation in 1973/74. Because of the impact of the Soviet Union's grain situation on world grain trade and prices, an intra-Department Task Force on the USSR Grain Situation was established with the Director of the Grain and Feed Division being named as Chairman. The Task Force has generally met bi-weekly to review and analyze the latest information available on crop prospects, trade developments, and grain utilization in the Soviet Union. A major objective of the Task Force was to insure that timely information is provided to the public concerning the grain situation in the USSR. Based on the review and collective judgment of the Task Force, several special Departmental News Releases were issued during the past year concerning major USSR developments, and these were supplemented with frequent articles in "Foreign Agriculture" magazine.

5. Analysis of the PRC Grain Situation in 1973/74. With the entrance of the PRC into the U.S. market for sizeable quantities of wheat, corn, cotton, and soybeans, an intra-Departmental Task Force on the PRC Grain Situation was established in September 1973 to monitor the agricultural situation in that country. The Director of the Grain and Feed Division is the Chairman of the PRC Task Force which meets periodically to review latest information on crop production, trade, and other developments that may have some bearing on future prospects for Sino-U.S. agricultural trade. A major objective of the Task Force is to insure that timely information is provided to the public on the PRC crop situation. Additionally, the Task Force serves as a coordinating body in the Department.

6. Beef Cattle Feeding in Italy. The U.S. Feed Grains Council has for some years worked closely with cattle feeders in Italy to perfect cattle finishing procedures which prove profitable under the EC grain price structure and facilitate satisfaction of the growing domestic demand for beef.

The program has been instrumental in fostering a steady expansion of the intensive cattle finishing industry. Slaughter of finished beef cattle has grown from 1,355,000 head in 1967 to 1,862,000 in 1971. During the same period production of formula feeds for beef cattle rose from 450,000 metric tons to 1,031,000 tons. During the same period production of white veal declined 10 percent. Models perfected by the council and its cooperators have been widely adopted throughout Italy.

Recently, the council has perfected a set of feedlot construction plans which are being used in Italy in building new low-cost facilities. These plans are also being distributed throughout Western Europe for use in planning expanded cattle feeding operations.

The growth of cattle finishing in Western Europe will increase local use of surplus domestic grain, which in the past has been exported, and is beginning to encourage reduction in production of white veal which utilizes very little grain.

7. Team Visits to U.S. to Gain Assurance of Adequate Supplies in the U.S. Great Plains Wheat, Western Wheat Associates, American Soybean Associates and the U.S. Feed Grains Council have through the year arranged and/or sponsored travel to the U.S. by key industry and governmental officials to enable them to meet with U.S. government and trade representatives to build closer trade ties. In 1973 when importer confidence in the U.S. as a reliable supplier of wheat, feed grains and soybeans was undermined by high prices and short world supplies, the cooperators assisted interested groups from Asia, Europe, and South America to arrange meetings with U.S. government officials and trade representatives to discuss their import needs, U.S. supplies and world supply-demand situation. These visits have done much to restore former confidence and to foster orderly purchasing.

8. Seed Trade Station Representative in Europe. The American Seed Trade Association (ASTA) stationed Dr. Lewis Camp in Brussels as the

ASTA European Representative. Through his technical knowledge of seed breeding and production and his acquaintance with both the trade and research institutions, he has been able to improve U.S. trade in seeds by sending trade leads back to members of the U.S. seed trade and to facilitate the testing of U.S. varieties so that they could be entered on country variety lists and hence be imported into the countries concerned. He has further improved the trade climate by making on-site assessments of various aspects of the complicated seed regulations.

9. Economic Intelligence on World Cotton Situation Useful. The collection, analysis, and reporting of economic intelligence on the world cotton situation and outlook as it affects U.S. cotton have proved to be useful to USDA and the U.S. cotton industry. The completeness and timeliness of information and statistics obtained on foreign cotton matters are credited in large part to the excellent reporting by FAS personnel stationed and traveling abroad. This is supplemented by information obtained from foreign trade and government sources developed and cultivated over long periods of time by FAS personnel. Reports for individual countries are analyzed and information and statistical data are compiled so as to provide a current and continuing picture of the world cotton supply, demand and price situation and outlook. Results of the analyses are made available through periodic releases and special articles. The information is also used on a continuing basis for policy decisions within the U.S. Government and for administering of USDA programs related to cotton.

10. Japanese Textile Industry Developments. A study of the many far reaching changes in the Japanese textile industry and their impact on cotton consumption in Japan was made in the fall of 1973. In the first six months of 1973, Japan became a net importer of cotton textile products. Japanese investments in off-shore production of manmade fibers, textile products, and apparel have increased sharply in recent years, as rising costs in Japan and yen revaluation have made Japanese textile products less competitive, and as concern developed over dependability of raw material supplies. Reflecting this trend, the Japanese have purchased farm land and a cotton gin in California, are planning a cotton spinning mill in Texas using low micronaire cotton with open-end spinning equipment, and are pursuing production of manmade fibers in countries with assured petroleum supplies.

11. Developments in Selected Cotton Producing and Exporting Countries. FAS pays close attention to developments in competitive cotton-producing countries because of their impact on the United States cotton industry and its export markets. An on-the-spot study in Greece and Turkey indicates that in 1973-74 they will produce 620,000 and 2,300,000 bales of cotton, respectively, and it is expected that they will export 300,000 and 1,300,000 bales, respectively. Current 5-year plans of both countries provide for expanded cotton-spinning capacity. In both countries, textile-producing capacity is expected to increase faster than raw cotton production with a consequent decline in export availabilities of raw cotton.

A recent study in Brazil reveals that over the next few years it appears likely that cotton mill consumption will rise rather rapidly and that the increase will not be matched by added production. This will cause declining export availability of raw cotton. In Colombia, present plans call for a transition period lasting until March 1975, by the end of which time the domestic mill industry will no longer obtain cotton at predetermined fixed prices. The fixed prices, currently, are much below world levels. To the extent that world prices continue at levels that appear profitable to producers, cotton production will be encouraged, but cotton does face keen competition from other crops in the interior producing zone which accounts for nearly one-fourth of this season's crops.

At first glance, prospects of reduced export availabilities of raw cotton in some countries may appear to offer improved export prospects to other countries. However, to the extent that cotton textiles are exported in greater volume to markets that may then reduce their mill consumption of cotton, the impact on the U.S. cotton industry and the industry of other cotton exporting countries may be just as severe as if the raw cotton itself had been exported.

12. Liberalization of Fresh Grapefruit Imports into Japan. After a long period of persistent efforts on the part of FAS, Japan finally liberalized the importation of fresh grapefruit on June 30, 1971. The results have been phenomenal. U.S. exports to Japan rose from a pre-liberalization level (FY 1971) of a mere 159,000 cartons to 4.4 million and 5.1 million cartons in fiscal years 1972 and 1973, respectively, with corresponding values of \$29.2 million and \$34.6 million.

13. Export Incentive Program for Canned Corn Showing Results. Export Incentive Programs, initiated earlier this year for canned corn, now appear to be producing reasonably encouraging results. During the first quarter of FY 1974--combined exports to the eligible destinations: Japan, West Germany, and Scandinavia--totaled 5.2 million pounds (\$1.0 million) slightly more than a threefold gain over the same period of a year earlier. Japan was by far the largest single recipient, taking 3.2 million pounds alone.

14. Fresh Vegetables and Melons Market in Japan Increasing. The Japanese market now appears to be becoming much more receptive to U.S. fresh vegetables. During the first quarter of FY 1974, U.S. exports of lettuce totaled 917,000 pounds in contrast to only 13,000 pounds a year earlier. Celery also registered an encouraging gain, 456,000 pounds versus none last year. Exports of melons (mostly cantaloupes) totaled 4.8 million pounds during the July-September quarter, almost five times larger than in the same period of 1972.

Much of this overall gain can be attributed to both the market development efforts of the Attache's office in Tokyo as well as FAS/W funding in support of U.S. industry members interested in surveying the market potential and promoting market expansion.

15. United States Resumes Trade in Tobacco with the People's Republic of China (PRC). The United States is beginning to revive its once flourishing tobacco trade with PRC, which at one time was

our second largest foreign customer, annually purchasing over 100 million pounds of unmanufactured U.S. tobacco.

Since the late 1950's, the People's Republic of China has greatly expanded its domestic cultivation of cigarette tobaccos and today ranks as the second largest producer, exceeded only by the United States.

Recent rapprochement between the United States and the PRC has resulted in two small sales of 22,000 and 44,000 pounds of Chinese flue-cured leaf to U.S. tobacco importers and two rather large sales of about 500,000 and 900,000 pounds of high-quality U.S. leaf to Chinese manufacturers.

China uses the major portion of its tobacco production but in recent years has entered the international tobacco export trade with sizeable sales to the United Kingdom and other European countries. Should China be granted most-favored-nation tariff status by the United States, two-way tobacco export trade may increase substantially. If China decides to upgrade the quality of its cigarettes and give priority of foreign exchange to tobacco trade, purchases of U.S. leaf should greatly increase.

16. Factors Influencing Demand for U.S. Tobacco in Enlarged EC. A follow-up survey of factors affecting demand for U.S. tobacco in the enlarged EC indicated that the U.S. share of its largest export market will deteriorate over the mid- to long-term if EC tobacco policies continue to follow a trade restrictive path.

The survey conducted about one year following a preliminary study (Implications of European Community Enlargement for U.S. Tobacco Exports, FAS M-251) uncovered scant evidence of any impending substantive change in the direction of the EC's production, marketing and preferential import regimes for tobacco.

The survey supported further the likelihood that U.S. exports, despite the short-term effect of dollar devaluation, will face increasingly strong competition from cheap duty-free imports and subsidized EC production. The impact will be most severe in the markets of the three acceding members as they adopt the tariff and internal tobacco tax structures of the EC.

An article, based on the survey, assessing the potential effect of EC tobacco policies on the United Kingdom, our largest single country market, has been written for "Foreign Agriculture" magazine.

17. Update of Tobacco Tariff and Nontariff Trade Barriers Publications. Considerable work was completed toward updating two major FAS publications, FAS M-177 revised September 1970, and FAS M-146 revised May 1969. The publications which examine and inventory the import duties, internal taxes, trade preferences, and nontariff barriers affecting tobacco in free world trade, are used to wide extent by U.S. tobacco interests.

The revised studies combined into one reference document will be published early in 1974.

18. Market for U.S. Tobacco Grows in Japan. A study of the current tobacco market situation and outlook in Japan indicates that this is the fastest growing market for U.S. tobacco. Japan is the largest tobacco importer in Asia and is now the third best market for U.S. leaf.

The cigarette industry in Japan has enjoyed an annual growth rate of about 5 percent since 1967. During Japan's fiscal year 1972, cigarette output reached a record 256 billion pieces representing a 12 percent rise over the previous year. With stabilized domestic leaf production, there has been a phenomenal growth of imports. U.S. exports of unmanufactured tobacco to Japan rose from an average of 40 million pounds during the period 1966-1970, to a record 73 million pounds in fiscal year 1973.

Exports of cigarettes to Japan have also been significant. Japan has become the U.S. tenth largest cigarette export market. These exports reached a new high of 1.4 billion pieces in fiscal year 1973, about double that of the previous year.

Japan will continue to import quality U.S. leaf because consumers demand high-quality products as living standards improve. Considering the recent devaluation of the dollar, our prospects for continued growth appear bright. In the current crop year, Japan's purchases of U.S. tobacco are expected to reach 38,000 to 40,000 tons if qualities and grades are available to satisfy their needs and requirements.

19. Tobacco Competition Study in South America. A survey was made in eight countries in Latin and South America to review and evaluate the current tobacco industry. This was a combination marketing trip and competition study, particularly of the Brazil and Colombia tobacco industries. The Brazil study has been published as an article in an issue of "Foreign Agriculture." The Colombia study has been finalized and is in the process of clearance for publication.

20. Japanese T.V. Food Directors Team. The television media has become an effective means of informing the Japanese housewives about soybean oil and soybean products. As a result, the American Soybean Association in cooperation with the Foreign Agricultural Service organized a Japanese T.V. Food Directors Team to visit the U.S. with a food director representing each of the three leading Japanese television stations. The team members observed the various phases of marketing soybeans in the U.S. and were exposed to American food patterns with emphasis on soybean oil and soybean products. As a result of this activity, the food directors featured soybean oil and soy protein foods on their food programs and at no direct cost to ASA. The actual cost of financing this team was minimal in comparison to the estimated \$162,000 worth of free T.V. publicity devoted to soybeans by the team members during a 6-month period.

21. Cooperator Programs Adapt Successfully to Changed EC Market Conditions. The poultry industry cooperator, Poultry and Egg Institute of America, has continued to adjust its promotion programs, worldwide, to reflect changing market conditions. Most notable have been the changes required to adjust to EC market restrictions applied systematically to third country products over the past 10 years. Since 1962, when the EC levy system was adapted, U.S. market opportunities have shifted from whole broilers to mostly turkey parts; and PEIA's promotion programs have shifted as well, playing a major role in the development of the market.

One measure of the Program's success is the increase in both quantity and value in shipments of whole turkeys and parts to the EC-6 during the first 9 months of 1973 over the same period last year; quantity is up 66% to 20 million pounds, while value has risen 95% to \$8.8 million. The bulk of the increase was in Germany where PEIA's program is the most active.

The EC countries have been unable to produce the quantity of large turkeys required to meet the increased demand for parts, a demand largely developed by PEIA program activities. U.S. exports to the Community have continued to increase over the last 2 years, while U.S. wholesale prices have been at a record level.

22. Danish Poultry Industry Studied. An FAS study of the Danish poultry meat industry, now being readied for publication, shows that production and processing costs for poultry meat in Denmark are significantly higher than in the United States. However, on account of export subsidies, Danish poultry competes seriously with U.S. poultry in third-country markets; Denmark is the world's third largest poultry meat exporter after the Netherlands and the United States.

A similar high-cost situation was documented in the parallel study published in 1972 concerning poultry production costs in the Netherlands. Poultry exported from that country to markets outside the EC is likewise subsidized, with detrimental effects upon U.S. poultry trade.

23. Increasing Domestic Meat Prices Encourage World Meat Supply Study. The acute public focus on meat prices has required an intensified analysis of the worldwide meat supply situation by FAS. In addition to regular quarterly reports prepared in accordance with the provisions of the Meat Import Law, special reports were prepared on the meat situation in the European Community, Australia, New Zealand, Japan, Mexico and Central America. In addition, a special competition study was published on the Central American area. These reports provided important current information on new developments in the pinpointed areas which served to keep the meat trade informed of crucial changes and which also enabled FAS to estimate with a substantial degree of accuracy the outlook for meat imports and exports.

24. Meat Export and Import Data Collected. A special data collection effort was mounted to gather data on meat imports during the April to September period. Meat inspection data was collected and analyzed on beef and pork exports to Japan and Canada and the information was made available to the Cost of Living Council. In addition, a similar project was mounted to collect Canadian weekly inspection data to provide more current information on U.S. exports of beef and pork to Canada. Similarly, data was prepared from a special monthly report on our exports to Japan transmitted by the Attache at Tokyo.

25. Sugar and Coffee Problems Have Demanded Special Attention. The world situation for sugar and coffee has been such that special evaluation has been required. Analyses have been made to determine the current situation as well as prospects for the future. Studies were done in connection with the International Coffee Agreement expiring on September 30, 1973, and the International Sugar Agreement expiring December 31, 1973. Sugar has required special attention as it is more or less at a crossroads with the Laurel-Langley treaty with the Philippines expiring in July 1974 and both the Commonwealth Sugar Agreement and the United States Sugar Act expiring at the end of 1974. A special effort has been made to effectively utilize all commodity intelligence having a bearing on programs affecting the United States.

Salaries and Expenses (Special Foreign Currency Program)

NOTE: The Budget Estimates do not propose an appropriation for 1975. The amounts for 1974 and 1975 reflect the use of unobligated balances carried over from prior years.

PROJECT STATEMENT

	:	1973	:	1974 (Estimated)	:	Increase or Decrease	:	1975 (Estimated)
Market development projects (Sec. 104(b)(1) obligations.....	:		:		:		:	
	:	\$ 305,810	:	\$ 1,000,000	:	\$ ---	:	\$ 1,000,000
Unobligated balance brought forward(-)	:	3,240,192	:	3,016,252	:	+1,000,000	:	2,016,252
Recoveries of prior year obligations...	:	-81,870	:	---	:	---	:	---
Unobligated balance carried forward....	:	3,016,252	:	2,016,252	:	-1,000,000	:	1,016,252
Total appropriation..	:	---	:	---	:	---	:	---

For a discussion of market development projects, including those financed from this appropriation, see the Status of Program under Salaries and Expenses, Foreign Agricultural Service.

Use of Special Foreign Currency Appropriation:

Country	:	1973 actual	:	1974 est.	:	1975 est.
India	:	\$113,939	:	\$ 630,000	:	\$ 640,000
Israel	:	34,244	:	---	:	---
Morocco	:	20,543	:	---	:	---
Pakistan	:	57,988	:	300,000	:	300,000
Poland	:	69,051	:	60,000	:	60,000
Yugoslavia	:	10,045	:	10,000	:	---
Total	:	\$305,810	:	\$1,000,000	:	\$1,000,000

Passenger Motor Vehicles

The 1975 Budget estimates propose the purchase of five (5) passenger motor vehicles, four (4) will replace vehicles in the Light Truck Class which are no longer suitable due to better road conditions.

The fifth passenger vehicle will be used by our Agricultural Attache office in Madrid, Spain. At the present time, Spain has no FAS official vehicle available. The Attache and Assistants must now rely on the Embassy pool vehicles or their personal automobiles for official travel within their area of operation.

The change over to the more economical and maneuverable passenger type vehicle is planned for:

Kinshasa, Zaire
Caracas, Venezuela
Belgrade, Yugoslavia
Warsaw, Poland

The vehicle in Madrid is in lieu of a Light Truck Class vehicle no longer required in Athens, Greece.

Age and mileage data for passenger motor vehicles on hand as of June 30, 1973 is as follows:

Age Data			Mileage Data		
<u>Age-Year</u> <u>Model</u>	<u>Number of</u> <u>Vehicles</u>	<u>Percent</u> <u>of Total</u>	<u>Lifetime</u> <u>Mileage</u> (thousands)	<u>Number of</u> <u>Vehicles</u>	<u>Percent</u> <u>of Total</u>
1973	<u>3</u>	<u>100</u>	Under 10	<u>3</u>	<u>100</u>
Total	<u>3</u>	<u>100</u>		<u>3</u>	<u>100</u>

FOREIGN ASSISTANCE PROGRAM AND
SPECIAL EXPORT PROGRAM
(PUBLIC LAW 480)

Purpose Statement

Facilities and funds of the Commodity Credit Corporation are, by law, used in carrying out programs for exporting agricultural commodities. The laws also authorize appropriations to be made to cover costs of such programs. When funds become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual needs, the excess is used to reduce future appropriation requests. If the appropriations are less than actual needs, other Corporation funds may be used temporarily to finance the balance of the costs.

PUBLIC LAW 480

The following activities are currently being carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83d Congress, as amended.

1. Sales of agricultural commodities for foreign currencies and for dollars on credit terms are made under title I of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended (7 U.S.C. 1701-1710).

Title I of the legislation authorizes sales for dollars on credit terms or for foreign currencies. Sales for dollars on credit terms may be made with foreign governments or U.S. and foreign private trade entities. Credit terms as favorable to the United States as the economy of the foreign country will permit, but not less than for development loans made under section 201 of the Foreign Assistance Act of 1961, as amended, are allowed under the legislation.

2. Commodities supplied in connection with dispositions abroad (Title II) (7 U.S.C. 1721-1725).--Commodities are supplied without cost to friendly nations and friendly peoples in times of famine or other emergency relief needs, to combat malnutrition, and to promote economic and community development in underdeveloped countries. The Corporation pays ocean freight on shipments under this title. Each year, up to \$7.5 million of foreign currencies accruing under title I may be purchased from this appropriation to meet costs of self-help activities (other than personnel and administrative) of cooperating groups.

SPECIAL EXPORT PROGRAM

Bartered materials for supplemental stockpile (7 U.S.C. 1856).--Under title II of the Agricultural Act of 1956, the Corporation transferred strategic and other materials to the supplemental stockpile. These materials were acquired from the barter and exchange of farm products. This does not cover materials acquired for the national stockpile or for other purposes. No contracts for the supplemental stockpile have been signed since 1968 and none are planned. The last appropriation was enacted in the 1971 Agricultural Appropriation Act. This program was liquidated in fiscal year 1971 by application of CCC receipts from damages paid by barter contractors.

The program has now been redirected to reimbursable offshore procurement for other Government agencies instead of procurement for the supplemental stockpile. Effective at the beginning of fiscal year 1974, barter program contract negotiations were suspended. Estimated program costs for 1974 and 1975 represent completion of shipments under contracts made prior to the suspension.

Available Funds, 1973
and Estimated 1974 and 1975

Item	1973	Available 1974	Budget Estimate, 1975
Foreign Assistance Programs (P.L. 480):			
Sales for foreign currencies and for dollars on credit terms (Title I)	\$744,470,819	\$765,793,353	\$739,250,000
Commodities supplied in connection with dispositions abroad (Title II)	396,141,983	328,916,650	242,440,000
Total program level	1,140,612,802	1,094,710,003	981,690,000
Costs financed from receipts and prior year balances (net)	-245,612,802	-541,072,003	-203,217,000
Total appropriation (P.L. 480) .	895,000,000	553,638,000	778,473,000

Public Law 480

	<u>Sale of Agricultural Commodities for Foreign Currencies and for Dollars on Credit Terms</u>	<u>Commodities Supplied in Connection with Dispositions Abroad</u>	<u>Total</u>
Appropriation Act, 1974 ...	\$239,051,000	\$314,587,000	\$553,638,000
Budget Estimate, 1975	<u>425,175,000</u>	<u>353,298,000</u>	<u>778,473,000</u>
Increase in Appropriation .	<u>+186,124,000</u>	<u>+38,711,000</u>	<u>+224,835,000</u>

SUMMARY OF INCREASES AND DECREASES

(On the basis of appropriation)

	<u>1974</u>	<u>Increase</u>	<u>1975 Estimate</u>
Sale of agricultural commodities for foreign currencies and for dollars on credit terms	\$239,051,000	+\$186,124,000	\$425,175,000
Commodities supplied in connection with dispositions abroad	<u>314,587,000</u>	<u>+38,711,000</u>	<u>353,298,000</u>
Total, available	<u>553,638,000</u>	<u>+224,835,000</u>	<u>778,473,000</u>

PROJECT STATEMENT

(On the basis of appropriation)

<u>Project</u>	<u>1973</u>	<u>1974</u>	<u>Increase or Decrease</u>	<u>1975 (estimated)</u>
1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I)	\$371,375,000	\$239,051,000	+\$186,124,000	\$425,175,000
2. Commodities supplied in connection with dispositions abroad (Title II)	<u>523,625,000</u>	<u>314,587,000</u>	<u>+38,711,000</u>	<u>353,298,000</u>
Total available or estimated	<u>895,000,000</u>	<u>553,638,000</u>	<u>+224,835,000</u>	<u>778,473,000</u>

The preceding project statement was prepared on an appropriation basis. The following schedule reflects obligations under available funds.

PROJECT STATEMENT
(On the basis of available funds)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I)	\$744,470,819	\$765,793,353	-\$26,543,353	\$739,250,000
2. Commodities supplied in connection with dispositions abroad (Title II)	396,141,983	328,916,650	-86,476,650	242,440,000
Total program level	1,140,612,802	1,094,710,003	-113,020,003	981,690,000
Adjustments to appropriations:				
Title I:				
Receipts from sale of foreign currencies and loan repayments used to finance the program	-386,638,838	-298,600,000	+58,600,000	-240,000,000
Unobligated balances (includes balances in the Corporation):				
Brought forward	-288,674,334	-302,217,353	+228,142,353	-74,075,000
Carried forward	302,217,353	74,075,000	-74,075,000	-
Title II:				
Costs brought forward ..	224,011,367	96,528,350	+14,329,650	110,858,000
Costs carried forward ..	-96,528,350	-110,858,000	+110,858,000	-
Total, appropriation	895,000,000	553,638,000	+224,835,000	778,473,000

The preceding project statement reflects estimated obligations on the basis of available funds. The rate at which expenditures and obligations are made under these programs is influenced by crop conditions, commodity availability, economic conditions in receiving countries, availability of shipping, port facilities and similar factors.

The amounts provided in the appropriations are not fully controlling since the basic law permits the Government to enter into agreements involving expenditures which must be financed from subsequent appropriations. On the other hand, if funds appropriated are in excess of amounts actually used in a particular year, such amounts are applied against current year's costs and reduce the subsequent appropriations required.

EXPLANATION OF PROGRAM

Under Public Law 480, as amended, exports of "available" agricultural commodities are made to friendly countries. Factors determining commodity availability are productive capacity, domestic requirements, farm and consumer price levels, anticipated commercial exports and adequate carryover. No commodity is available for disposition if it would reduce the domestic supply below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

The authorization for shipments under P.L. 480 was extended through December 31, 1977, by Public Law 93-86, approved August 10, 1973.

TITLE I

The Corporation finances all sales made pursuant to agreements concluded under title I. Sales are made to friendly countries--as defined in section 103(d) of the act--and must not displace expected commercial sales for cash dollars (secs. 103 (c) and (n)). No sales may be made to North Vietnam except as authorized by Act of Congress enacted after July 1, 1973.

No agreements may be entered into after December 31, 1977 (sec. 409), and agreements may not be made under title I in any calendar year which call for an appropriation to reimburse the Corporation in excess of \$1.9 billion, plus unused prior years' authorizations.

Agricultural commodities sold under title I may be paid for in three ways: (1) foreign currencies, (2) U.S. dollars with interest on credit terms up to 20 years, with a grace period of up to two years or (3) foreign currency convertible to dollars with interest on credit terms up to 40 years with a grace period of up to ten years.

Whenever practicable, terms of agreements must require payments at time of delivery of not less than 5% of the purchase price in dollars or in currencies convertible to dollars. These initial payments are applied against costs to reduce appropriation requests. On credit agreements under title I, the President is authorized to require payment upon delivery in dollars or foreign currencies of amounts needed for payment of U.S. obligations and certain other purposes.

The act provided that the progressive shift from foreign currency sales to dollar credit sales would be completed by December 31, 1971. To the extent that transition from foreign currency sales to dollar credit sales is not possible, transition to convertible foreign currency credit sales is authorized on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement. Program costs for foreign currency sales represent final shipments under sales agreements signed before January 1, 1972.

Since December 31, 1971, agreements entered into under title I have only provided for long-term credit (including convertible currency credit). On such sales agreements, the Corporation may finance the entire cost of ocean freight on shipments made on U.S.-flag vessels in compliance with Cargo Preference Act requirements.

Sale of agricultural commodities for dollars on credit terms.--In order to stimulate and increase sales for dollars through credit, this title provides for sales of U.S. farm products under long-term credit arrangements. The purpose is to expand international trade, develop and expand export markets, and encourage economic development in the developing countries. Agreements are made with the governments of friendly nations, financial institutions acting on behalf of such nations, or with United States and foreign private trade entities. Repayments, including interest at minimum rates set by law, may be made in dollars for up to 20 years, or in foreign currency convertible to dollars for up to 40 years. Under certain conditions, the President is authorized to require payment upon delivery, in dollars, or in foreign currencies, of amounts needed for payment of U.S. obligations and certain other purposes. Interest is charged from the date of last delivery in each calendar year. Payments received each year are applied against current costs to reduce the appropriation request.

Agreements may not be entered into under this title in any calendar year which call for an appropriation to reimburse the Corporation in excess of \$1,900 million plus unused prior years' authorizations of \$10,347 million as of December 31, 1973.

TITLE II

Under title II of Public Law 480, as amended, Commodity Credit Corporation-owned commodities are supplied to meet famine or other urgent relief requirements, combat malnutrition, promote economic and community development in developing areas, provide assistance for needy persons and nonprofit school lunch and preschool feeding programs outside the United States, and carry out the United States commitment to the World Food Program. Commodities not available in CCC stocks for donation may be purchased for this purpose. As far as practicable, such dispositions are made through nonprofit voluntary agencies. Assistance is directed toward activities designed to alleviate the causes of the need for such aid. Appropriations are authorized to reimburse the Corporation for costs incurred.

Programs of assistance shall not be undertaken under this title during any calendar year which call for an appropriation to reimburse the Corporation in excess of \$600 million plus unused prior years' authorizations of \$1,808 million as of December 31, 1973.

Status of Authorizations for Appropriations (In millions)

	P.L. 480	
	<u>Title I</u>	<u>Title II</u>
Unused prior years' authorizations, December 31, 1973 (estimate)	\$10,347	\$1,808
Annual authorization contained in Public Law 480, as amended - calendar year 1974	<u>1,900</u>	<u>600</u>
Total authorization available through December 31, 1974	<u>12,247</u>	<u>2,408</u>

JUSTIFICATION OF INCREASES AND DECREASES

1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I):

Item	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
<u>Program:</u>				
Expenses of shipments:				
Commodity costs:				
Foreign currency	\$5,526,629	\$11,000	-\$11,000	--
Long-term credit	681,984,823	739,782,000	-37,032,000	\$702,750,000
Total commodity costs .	687,511,452	739,793,000	-37,043,000	702,750,000
Ocean transportation:				
Foreign currency	2,616,925	--	--	--
Long-term credit	54,342,442	26,000,353	+10,499,647	36,500,000
Total ocean transportation	56,959,367	26,000,353	+10,499,647	36,500,000
Total expenses of shipments:				
Foreign currency	8,143,554	11,000	-11,000	--
Long-term credit	736,327,265	765,782,353	-26,532,353	739,250,000
Total	744,470,819	765,793,353	-26,532,353(1)	739,250,000
<u>Financing:</u>				
Receipts from:				
Sale of foreign currency ..	-221,686,165	-134,900,000	+46,800,000	-88,100,000
Repayments on long-term credit	-164,952,673	-163,700,000	+11,800,000	-151,900,000
Subtotal	-386,638,838	-298,600,000	+58,600,000	-240,000,000
1972 funds available for 1973 costs:				
Long-term credit	-288,674,334	--	--	--
1973 funds available for 1974 costs:				
Long-term credit	302,217,353	-302,217,353	+302,217,353	--
1974 funds available for 1975 costs:				
Long-term credit	--	74,075,000	-148,150,000	-74,075,000
Net financing	-373,095,819	-526,742,353	+212,667,353	-314,075,000
Total available or estimate	371,375,000	239,051,000	+186,124,000	425,175,000

The preceding schedule reflects a combined appropriation for sales for foreign currencies and sales for dollars on credit terms. A decrease of \$26,543,353 in program level in 1975 is reflected, and the appropriation requested is \$186,124,000 more than the appropriation for 1974.

The 1973 appropriation was \$302,217,353 more than 1973 costs after crediting \$386,638,838 of proceeds from sales of foreign currencies and dollar repayments from foreign governments and \$288,674,334 of 1972 funds brought forward to 1973 program costs.

The 1974 appropriation is expected to be \$74,075,000 more than estimated 1974 program costs after application of \$302,217,353 of 1973 funds available, \$134,900,000 of proceeds from sales of foreign currencies and \$163,700,000 of dollar repayments from foreign governments.

Program costs for foreign currency sales represent final shipments under agreements signed before January 1, 1972.

The estimates for 1975 program activity reflect estimated receipts of \$88,100,000 from sales of foreign currencies and loan repayments, \$141,900,000 repayments from foreign governments and private trade entities and \$10,000,000 foreign currencies for U.S. uses pursuant to Section 103(b).

In addition, \$23,263,277 is estimated to be due from the Department of Defense as of June 30, 1975. This represents foreign currencies used for military housing construction which is payable by the Department of Defense at the rate of \$4 million a year to the Corporation.

INCREASES AND DECREASES

(1) A net decrease of \$26,543,353 in program level in 1974 consisting of:

(a) A decrease of \$37,043,000 in commodity costs (\$739,793,000 available in 1974). Major changes from 1974 estimates in estimated shipments and commodity costs are as follows:

	Change in Estimated Shipments (in thousands)	Change in Cost of Shipments
<u>Increases:</u>		
Feed grains	+756 Sh. tons	+\$49,925
Wheat	+9,230 bu.	+4,174
Blended food products	+12,032 lbs.	+1,200
Upland cotton	+224 bales	+43,828
Total increases	xx	+99,127
<u>Decreases:</u>		
Rice*	+8,365 cwt.	-114,892
Cotton products	-3,419 lbs.	-5,369
Vegetable oil products*	+41,469 lbs.	-4,165
Tobacco	-6,724 lbs.	-7,044
Initial payments to exporters	xx	-4,700
Total decreases	xx	-136,170
Net change in cost of shipments		-37,043

* Increases in quantities estimated to be more than offset by lower unit rates.

(b) An increase of \$10,499,647 in ocean transportation (\$26,000,353 available in 1974). This reflects an increase of about 690 thousand metric tons in commodity shipments as itemized above partly offset by a slightly lower rate per ton.

Costs incurred include the following:

- Payment at export prices for commodities shipped.
- Differential between domestic market price and the competitive world price on commodities exported, where applicable.
- Authorized ocean freight differential on shipments made in U.S. flag vessels.

Following is a breakdown of expenses of shipments by commodity for the fiscal years 1973, 1974, and 1975. (Note--The reductions shown for the adjustment for initial payments to exporters are authorized in Title I, Section 103(k). This initial payment is made directly to the exporters by the importers. The Corporation does not receive these payments.):

Expenses of shipments--Sales for foreign currencies and for dollars on credit terms, 1973-1975:

Commodity	Unit of Measure	1973 Actual		1974 Estimate		1975 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn	bushel	32,108,138	\$49,112,964	9,811,000	\$27,487,000	37,013,000	\$83,282,000
Grain sorghum	bushel	18,628,150	26,804,547	8,082,000	22,450,000	7,896,000	16,580,000
Total feed grains.....	Short ton	1,420,639	75,917,511	501,004	49,937,000	1,257,452	99,862,000
Wheat	bushel	93,126,984	208,508,316	37,177,000	167,300,000	46,407,000	171,474,000
Rice	cwt.	21,770,541	236,997,877	13,682,000	372,832,000	22,047,000	257,940,000
Cotton, upland	bale	612,207	96,989,470	202,000	62,722,000	426,000	106,550,000
Cotton, extra-long staple	bale	3,670	1,008,982	-	-	-	-
Cotton products	pound	5,797,420	4,929,502	3,419,000	5,369,000	-	-
Blended food products	pound	-	-	3,968,000	800,000	16,000,000	2,000,000
Milk, dried	pound	4,307,936	1,520,197	-	-	-	-
Vegetable oils	pound	235,276,580	31,830,400	325,380,000	53,689,000	366,849,000	49,524,000
Tobacco (total)	pound	26,170,669	29,601,370	29,873,000	36,444,000	23,149,000	29,400,000
Tallow or grease	pound	1,652,777	207,827	-	-	-	-
Initial payment to exporters	xxx	-	-	-	-9,300,000	-	-14,000,000
Total commodity costs		xxx	687,511,452	xxx	739,793,000	xxx	702,750,000
Ocean transportation:							
Foreign currency	Met. Ton	6,303	2,616,925	-	-	-	-
Long-term credit	Met. Ton	2,702,217	54,342,442	1,149,113	26,000,353	1,842,290	36,500,000
Total expenses of shipments		xxx	744,470,819	xxx	765,793,353	xxx	739,250,000

a/ Represents ocean freight differential paid to U.S. shippers on 44.7% of tonnage shipped on U.S. flag vessels at average rate.

b/ Represents 53.4% of shipments on U.S. flag vessels at average rate.

c/ Represents 50% of shipments on U.S. flag vessels at average rate.

The following table shows the composition of costs incurred, receipts, and amounts owed by foreign governments and private trade entities on long-term credit sales for the fiscal years 1973, 1974, and 1975:

Item	1973	1974 (estimated)	1975 (estimated)
Balance outstanding, start of year:			
Principal	\$2,697,332,085	\$3,148,761,941	\$3,789,744,943
Interest	32,602,305	38,550,205	44,847,729
Total	2,729,934,390	3,187,312,146	3,834,592,672
Costs incurred during year:			
Principal	689,790,356	738,559,000	702,460,638
Interest	62,106,422	72,421,526	87,164,135
Total	751,896,778	810,980,526	789,624,773
Payments by foreign governments and private trade entities:			
Principal	-238,360,500	-97,575,998	-72,315,355
Interest	-56,158,522	-66,124,002	-79,584,645
Total	-294,519,022	-163,700,000	-151,900,000
Balance due from foreign governments and private trade entities, end of year:			
Principal	3,148,761,941	3,789,744,943	4,419,890,226
Interest	38,550,205	44,847,729	52,427,219
Total	3,187,312,146	3,834,592,672	4,472,317,445

2. Commodities supplied in connection with dispositions abroad (Title II):

Beginning January 1, 1967, the Food for Peace Act of 1966 authorized financing the costs of CCC commodities disposed of through voluntary agencies from this appropriation. No donations of agricultural commodities may be made to North Vietnam except as authorized by Act of Congress enacted after July 1, 1973.

Item	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
<u>Program:</u>				
Expenses of shipments:				
Commodity costs	\$290,020,029	\$247,771,000	-\$73,065,000	\$174,706,000
Ocean transportation	103,834,774	80,145,650	-13,411,650	66,734,000
Total, expenses of shipments	393,854,803	327,916,650	-86,476,650	241,440,000
Purchase of foreign currencies for use in self-help activities	2,287,180	1,000,000	--	1,000,000
Total program	396,141,983	328,916,650	-86,476,650(1)	242,440,000
<u>Financing:</u>				
1972 costs financed from 1973 appropriation	224,011,367	--	--	--
1973 costs financed from 1974 appropriation	-65,528,350	96,528,350	-96,528,350	--
1974 costs to be financed from 1975 appropriation	--	-110,858,000	+221,716,000	110,858,000
Net financing	127,483,017	-14,329,650	+125,187,650	110,858,000
Total available or estimate	523,625,000	314,587,000	+38,711,000	353,298,000

The preceding schedule reflects a decrease of \$86,476,650 in program level in 1975 below the 1974 level as explained below.

It is estimated that at the end of fiscal year 1974 there will remain unpaid 1975 program costs of \$110,858,000 to be financed from the 1975 appropriation. The estimate of reduced program activity in fiscal year 1975, with the unpaid prior year's costs, will result in an increase of \$38,711,000 in the appropriation requested for 1975.

DECREASES

(1) A decrease of \$86,476,650 in program level in 1975 consisting of:

(a) A decrease of \$73,065,000 in commodity costs (\$247,771,000 available in 1974). Changes in estimated shipments and commodity costs are as follows:

<u>Decreases</u>	<u>Change in Estimated Shipments</u>	<u>Change in Cost of Shipments</u>
	(in thousands)	
Feed grains and products	-120 sh. tons	-\$16,530
Wheat and products	-3,348 bu. equiv.	-34,613
Blended food products	-85,331 lbs.	-20,056
Vegetable oil products *	+10,148 lbs.	-1,596
Soybean products	-1,931 lbs.	-270
Total decreases	<u>xx</u>	<u>-73,065</u>

*Increased quantity more than offset by lower commodity cost per pound.

(b) A decrease of \$13,411,650 in ocean transportation (\$80,145,650 available in 1974). This reflects the decrease of 190 thousand metric tons in estimated commodity shipments listed above, as well as a slightly lower rate per ton.

Costs incurred--Costs include the following:

- Payment to the Corporation for its investment in making commodities available. This includes acquisition costs, storage, processing, packaging, inland transportation and handling charges.
- Authorized ocean transportation costs from U.S. ports to designated ports of entry abroad. This may include transportation to designated points of entry in landlocked countries.
- Purchase of foreign currencies for use in self-help activities.

The following table reflects estimated expenses of shipments by commodity:

Public Law 480, Title II, Expenses of shipments, 1973-1975:

Commodity	Unit of Measure	1973 Actual		1974 Estimate		1975 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn	bushel	2,310,605	\$4,452,106	1,496,000	\$4,189,000	1,593,000	\$3,584,000
Corn products <i>a/</i>	bu. equiv.	2,798,424	4,257,688	2,275,000	5,762,000	2,114,000	4,750,000
Grain sorghum	bushel	4,703,760	8,838,708	11,620,000	32,582,000	7,075,000	16,860,000
Oat products <i>b/</i>	bu. equiv.	2,728,092	4,377,749	1,356,000	3,082,000	2,027,000	3,891,000
Total feed grains	Short Ton	270,692	21,926,251	418,158	45,615,000	298,454	29,085,000
Wheat	bushel	25,369,207	50,520,374	7,565,000	34,723,000	12,615,000	47,258,000
Wheat flour <i>c/</i>	bu. equiv.	26,190,626	72,122,228	12,381,000	57,320,000	6,846,000	26,222,000
Bulgur <i>d/</i>	bu. equiv.	9,410,781	32,056,297	6,623,000	31,833,000	3,767,000	15,815,000
Rolled wheat <i>e/</i>	bu. equiv.	25,104	66,015	7,000	32,000	-	-
Total wheat and products	bu. equiv.	60,995,718	154,764,914	26,576,000	123,908,000	23,228,000	89,295,000
Rice, milled	cwt.	725,429	7,388,662	-	-	-	-
Blended food products	pound	429,598,220	47,015,878	400,871,000	53,204,000	315,540,000	33,148,000
Beans, dry edible	cwt.	-	-2,043	-	-	-	-
Soybean products	pound	924,116	109,795	1,931,000	270,000	-	-
Milk, dried	pound	56,619,116	19,081,338	-	-	-	-
Vegetable oil products	pound	245,837,468	39,735,234	116,582,000	24,774,000	127,000,000	23,178,000
Total commodity costs	xxx	xxx	290,020,029	xxx	247,771,000	xxx	174,706,000
Ocean transportation	Met. Ton	2,069,895	103,834,774	1,237,651	80,145,650	1,047,780	66,734,000
Total expenses of shipments	xxx	xxx	393,854,803	xxx	327,916,650	xxx	241,440,000
<i>a/</i> Cornmeal	pound	88,557,732	71,993,000	71,993,000	66,900,000	66,900,000	66,900,000
<i>b/</i> Rolled oats	pound	60,024,024	29,827,000	29,827,000	44,600,000	44,600,000	44,600,000
<i>c/</i> Wheat flour	pound	1,180,821,727	558,187,000	558,187,000	308,660,000	308,660,000	308,660,000
<i>d/</i> Bulgur	pound	512,012,019	360,351,000	360,351,000	204,930,000	204,930,000	204,930,000
<i>e/</i> Rolled wheat	pound	1,397,750	388,000	388,000	-	-	-

SPECIAL EXPORT PROGRAM

The Commodity Credit Corporation conducted a special export program for bartered materials for the supplemental stockpile from 1957 through 1971. Costs of the final transfer of materials made in 1971 were reimbursed from the 1971 appropriation and other funds available.

Barter activities are now limited to barter for offshore procurement for other Government agencies on a reimbursable basis. Under this program, the Corporation pays an "offshore procurement premium" for the export of certain commodities.

Effective at the beginning of fiscal year 1974, barter program contract negotiations have been suspended. Estimated commodity shipments for 1974 and 1975 represent completion of shipments under contracts made prior to the suspension.

The following table shows actual and estimated activity, 1973 to 1975:

Commodities Bartered for Offshore Procurement for Other Government Agencies

(In thousands)

Commodity	Unit of Measure	1973 Actual		1974 Estimate		1975 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Corn	bushel	116,280	\$183,042	4,200	\$11,760	-	-
Grain Sorghum	bushel	34,258	58,805	2,500	6,450	-	-
Barley	bushel	26,771	47,758	2,500	6,125	-	-
Oats	bushel	96	132	-	-	-	-
Total feed grains	sh. ton	4,860	289,737	248	24,335	-	-
Wheat	bushel	57,012	114,984	-	-	-	-
Wheat flour	bu. equiv.	983	1,649	-	-	-	-
Total wheat and products	bu. equiv.	57,995	116,633	-	-	-	-
Rice	cwt.	7,596	80,460	1,100	17,600	-	-
Cotton, Upland	bale	1,776	276,093	900	180,000	40	8,800
Vegetable oils	pound	413,103	54,616	70,000	12,076	-	-
Tobacco, total	pound	170,048	205,044	55,000	64,900	5,000	5,900
Tallow or grease	pound	748,427	65,708	165,000	26,400	-	-
Total 1/	xxx	xxx	1,088,291	xxx	325,311	xxx	14,700

1/ Distribution as follows:

For offshore procurement (paid by other sources)	\$1,088,291	\$325,311	\$14,700
Offshore premiums (information only)	[14,247]	[9,500]	[500]
Total	1,088,291	325,311	14,700

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service was established by the Secretary of Agriculture on June 5, 1961, under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 U.S.C. 901-913). The Service carries on the following principal programs:

1. Production Adjustment Programs. The Agriculture and Consumer Protection Act of 1973 authorizes programs for the 1974 through 1977 crops of feed grains, wheat and upland cotton. This legislation uses guaranteed or "target" prices and deficiency payments to encourage farmers to provide consumers with adequate supplies of food and fiber. Deficiency payments would be made to farmers only where the average market price received by farmers dropped below the target level.

The Agricultural Adjustment Act of 1938, as amended, authorizes production adjustment programs for designated basic commodities (tobacco, peanuts, wheat, cotton and rice). This is done through acreage allotments, and through marketing quotas when supplies reach specified levels in relation to normal demand.
2. Sugar Act Program. The chief objective of the Sugar Act of 1948, as amended, is "to protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry". This involves determination of U. S. Consumption requirements and administration of quotas to regulate imports of sugar produced in foreign areas. It also involves marketing of sugar produced in domestic areas. Payments are made to domestic sugar growers who comply with certain labor, wage, price, and marketing requirements prescribed by law.
3. Rural Environmental Assistance Program. This program is authorized by the provisions of sections 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. The Act aims at build-int the productive capacity of soil, conserving agricultural soil and water, and other environmental enhancement actions. Costs are shared with individual (or groups of) farmers, ranchers, and woodland owners who perform approved soil-building and soil-and water-conserving practices on their lands.
4. Water Bank Act Program. The Water Bank Act (P.L. 91-559) approved December 19, 1970, authorizes a continuous program to prevent the serious loss of wetlands and to preserve, restore and improve wetlands beginning July 1, 1971. Agreements are entered into with landowners and operators in important migratory waterfowl nesting and breeding areas for the conservation of specified wetlands. The agreements are for ten year periods with provision for renewals for additional periods.
5. Emergency Conservation Measures. This program is authorized by the Third Supplemental Appropriation Act of 1957 and the Supplemental Appropriation Acts of 1958 and 1959. Its objective is to restore to normal agricultural use farmlands which have been damaged by wind erosion, hurricanes, floods, or other natural disasters. To this end, costs are shared with farmers for carrying out approved practices.
6. Rural Environmental Program. This new national program consolidates the Rural Environmental Assistance Program (ACP), Great Plains Conservation Program, Water Bank Program, and Emergency Conservation Measures. The proposed program would incorporate authorities in the Soil Conservation and Domestic Allotment Act, as amended; the Water Bank Act (P.L. 91-559); Sections 1001 to 1010 of the Agriculture and Consumer Protection Act of 1973; and the Third Supplemental Appropriation Act of 1957. The objectives of the program will encourage farmers and ranchers to carry out annual and long-term plans that would emphasize conservation benefits of national concern, and achieve desirable land-use adjustments. Annual and long-term agreements will be offered to farmers and ranchers for the forestry incentive program. Cost-share funds will also be available under multi-year agreements for recreation and wildlife to preserve wetlands for increasing migratory and water fowl populations. Funds will be reserved for use as required in designated emergency areas for restoration of damage to agricultural lands caused by natural disasters.

7. Cropland Adjustment Program. This program was authorized in title VI of the Food and Agricultural Act of 1965 which expired at the end of 1970. Its purpose is to assist farmers, through long-term agreements, to divert land from the production of certain crops to more needed uses that will promote the development and conservation of our soil, water, forest, wildlife, and recreational resources. The program also establishes, protects, and conserves open spaces and natural beauty and prevents air and water pollution. Sign-up was in 1966 and 1967 when 3.8 million acres were placed under agreements, the last of which will expire in the fiscal year 1977. Under Greenspan, grants were made to local and State agencies to purchase cropland for public benefit uses.
8. Cropland Conversion Program. Section 16(e) of the Soil Conservation and Domestic Allotment Act, as amended by Section 101 of the Food and Agriculture Act of 1962, provided for long-term cropland conversion agreements. These pilot program agreements were entered into with farmers and ranchers to make changes from their past cropping systems and land uses to other income producing, public benefit uses. Agreements were made during the fiscal years 1963, 1965, 1966, and 1967. The last of these agreements will expire in the fiscal year 1976.
9. Dairy and Beekeeper Indemnity Programs. Beginning January 1, 1964, the Secretary was authorized to make indemnity payments at the fair market value to dairy farmers who were directed to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use provided such removal was not a result of willful failure to follow procedures prescribed by the Federal Government. The Agriculture and Consumer Protection Act of 1973 extended the milk indemnity payment program through June 30, 1977, and authorized indemnification payments, beginning with the date of enactment, to manufacturers of dairy products who have been directed to remove their products because they contained residues of chemicals registered and approved for use by the Federal Government. The Act also added provision for indemnity payments to dairy farmers for cows producing contaminated milk. The Agricultural Act of 1970 also authorized indemnity payments to beekeepers who, through no fault of their own, suffered losses of honey bees after January 1, 1967, as a result of utilization of economic poisons near the property on which the beehives of such beekeepers were located. The Agriculture and Consumer Protection Act of 1973 extended the authority until December 31, 1977.
10. Commodity Credit Corporation Program Activities. Various support and related programs have been authorized in numerous laws since the early 1930s. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are used in the administration of the Commodity Credit Corporation programs. The Administrator of the Service is also Executive Vice President of the Corporation.

Additional information on the support and related activities of the Commodity Credit Corporation will be found elsewhere in these Explanatory Notes.

11. Foreign Assistance Program, Special Export Programs and other Special Activities. Various surplus disposal programs and other special activities are authorized by law. These laws authorized the use of CCC funds and facilities to implement the programs. Funds for these programs are made available to the Corporation for its costs incurred in connection with these activities. Additional information on these programs will be found elsewhere in these Explanatory Notes.
12. Work Performed for Others. The Agricultural Stabilization and Conservation Service performs certain services for other Federal agencies and others on an advance or reimbursable payment basis. Following are examples of the types of programs and services performed:
 - a. Appalachian Region Conservation Program. This is a long-term program authorized in Section 203 of the Appalachian Regional Development Act of 1965, as amended, to provide cost-sharing assistance to landowners, operators, or occupiers of land in the Appalachian Region. Funds for carrying out the program are appropriated directly to the Appalachian Regional Commission, and transferred to ASCS for payments.

- b. Removal of Surplus Agricultural Commodities and School Lunch Program. Purchase and diversion programs for the Agricultural Marketing Service are carried out under Section 32 of the Act of August 24, 1935. Commodities are also purchased for use by schools in the Child Nutrition Programs for the Food and Nutrition Service.
 - c. Food Stamp Program. ASCS performs systems, programming, data processing and clerical control functions for Food and Nutrition Service in the data analysis of Food Stamp redemptions.
 - d. Aerial Photographs. ASCS makes aerial photographs for use in farm programs primarily in checking compliance. Copies are also sold to the public and to other Federal agencies. ASCS is receiving photographs from NASA's Earth Resources Technology Satellite (ERTS). These photographs are made available to Agencies by ASCS on a reimbursable basis.
 - e. Loan Service Charges. The Service performs inspection, sampling, testing, grading, and sealing of commodities being placed under loan for which fees are collected from farmers.
12. Other Activities. The Agricultural Stabilization and Conservation Service is responsible for part of the Department's emergency preparedness work. This includes defense readiness for food production and domestic distribution of farm machinery, fertilizer, feed, and seed.

Responsibility within the Department for coordination of activities relating to the energy crisis is lodged with ASCS. Also, through its network of county and State offices, the Service monitors the situation in rural areas relating to key farm production inputs, particularly fuels and fertilizer.

Under its own authorities, and in conjunction with other Departments and agencies, the Service provides assistance under the following emergency livestock feed programs: (1) Livestock Feed Program; (2) Grazing and Haying; (3) Hay Transportation Assistance Program; and (4) Acute Distress Donation Program to Indian Tribes.

The Agricultural Stabilization and Conservation Service conducts its programs in the field through a number of offices. Agricultural Stabilization and Conservation State and county committees are responsible for local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASC county committees, the Service also obtains recommendations and advice in the formulation of program plans and policies. There are ASC State Committees in the 50 States and a total of 3,061 county committees. The commodity offices are responsible primarily for Commodity Credit Corporation functions. Such functions include accounting for loans and purchases; acquisition, management, storage and disposition of commodities; and related transportation and accounting activities. Management field offices perform fiscal, personnel, and administrative operations for all the States and other field offices.

Available Funds and Man-years
1973 and Estimated, 1974 and 1975

Item	Actual 1973		Estimated Available, 1974		Budget Estimate 1975	
	Amount	Man- years	Amount	Man- years	Amount	Man- years
Agricultural Stabiliza- tion and Conservation Service:						
Salaries and Expenses, ASCS:						
Appropriation	169,235,000	)	169,235,000	)	172,867,000	)
Transferred from other accounts	a/1,535,000	)	- -	)	- -	)
Transferred to other accounts	- -	)	-2,584,000	)	- -	)
Transfers from CCC:		3,451		3,277		3,277
Authorized in appro- priation Act	b/78,346,000	)	c/78,346,000	)	d/84,115,000	)
Transferred to other accounts	-176,000	)	-218,000	)	- -	)
Total, Salaries and Ex- penses, ASCS	248,940,000	3,451	244,779,000	3,277	256,982,000	3,277
Deduct allotments to other agencies	-219,200	-9	-32,000	-2	-32,000	-2
Subtotal, ASCS only	248,720,800	3,442	244,747,000	3,275	256,950,000	3,275
Sugar Act program	84,500,000	- -	88,500,000	- -	90,200,000	- -
Cropland adjustment pro- gram	52,500,000	- -	51,900,000	- -	48,601,000	- -
Transferred to other accounts	-850,000	- -	-1,599,000	- -	- -	- -
Dairy and Beekeeper Indem- nity Programs	3,500,000	- -	- -	- -	1,850,000	- -
Agricultural Conservation Program (REAP) (appropriation)	195,500,000	- -	15,000,000	- -	90,000,000	- -
Rural Environmental Program (appropriation) .	- -	- -	- -	- -	118,800,000	- -
Water Bank Act program ...	10,000,000	33	10,000,000	25	- -	- -
Deduct allotment to SCS ..	-1,000,000	-33	-1,000,000	-25	- -	- -
Subtotal, ASCS only	9,000,000	- -	9,000,000	- -	- -	- -
Emergency conservation measures	25,000,000	- -	10,000,000	- -	- -	- -
Total	617,870,800	3,442	417,548,000	3,275	606,401,000	3,275
Obligations under other USDA appropriations:						
Allocation from Soil Conservation Service - Great Plains Conser- vation Program	84,000	2	84,000	2	- -	- -
Agricultural Marketing Service - For assist- ance on Section 32 program	1,004,244	68	1,193,000	66	1,243,000	66
Food and Nutrition Ser- vice - for assistance on School Lunch program and commodity distribu- tion activity	327,536	22	387,498	20	403,098	20
Food and Nutrition Ser- vice - for assistance on Food Stamp program .	428,941	30	615,513	43	640,513	43

Item	Actual 1973		Estimated Available, 1974		Budget Estimate 1975	
	Amount	Man- years	Amount	Man- years	Amount	Man- years
Federal Crop Insurance Corporation - for administrative services provided the Corporation	297,386	)	170,389	)	177,389	)
Sales of aerial photographs to various USDA agencies	359,008	)	450,000	)	450,000	)
Office space supplied to other agencies of the Department	2,156,190	)	2,350,000	)	2,350,000	)
Miscellaneous - for detail of personnel, travel, office supplies, etc.	606,264	) 50	1,012,800	) 47	1,055,000	) 47
Total, Other USDA Appropriations	5,263,569	172	6,263,200	178	6,319,000	176
Total Agricultural Appropriation Bill	623,134,369	3,614	423,811,200	3,453	612,720,000	3,451
Other than USDA Federal Funds	494,160	5	413,800	5	114,000	5
Funds from Nonfederal Sources	5,586,834	- -	5,600,000	- -	5,940,000	- -
Total, Agricultural Stabilization and Conservation Service	629,215,363	3,619	429,825,000	3,458	618,774,000	3,456

	1973 <u>Actual</u>	1974 <u>Estimated</u>	1975 <u>Estimated</u>
End-of-year Employment:			
Permanent full-time	3,263	3,000	3,000
Other	231	295	295
Total	<u>3,494</u>	<u>3,295</u>	<u>3,295</u>

NOTE: Man-years shown do not include committeemen and employees of ASCS County Committees.

- a/ Includes transfer of \$850,000 of 1973 appropriations and \$685,000 of prior year unobligated balances.
- b/ Includes \$2,866,000 contingency reserve which was used for increased pay costs as follows: \$2,725,000 by ASCS; \$63,000 by Agricultural Marketing Service and \$78,000 by Export Marketing Service.
- c/ Includes \$2,866,000 contingency reserve of which \$2,379,000 is being used by ASCS for pay costs, \$218,000 is being transferred to Agricultural Marketing Service for pay costs and \$269,000 is remaining in reserve.
- d/ Includes \$3,004,000 contingency reserve available only upon release by the Office of Management and Budget.

Salaries and Expenses, Agricultural
(a) Stabilization and Conservation Service

	<u>Direct Appropriation</u>	<u>Transfers from Commodity Credit Corporation</u>	<u>Total</u>
Appropriation Act, 1974	\$169,235,000	\$78,346,000	\$247,581,000
Budget Estimate, 1975	<u>172,867,000</u>	<u>84,115,000</u>	<u>256,982,000</u>
Increase in appropriation	<u>+3,632,000</u>	<u>+5,769,000</u>	<u>+9,401,000</u>
Adjustments in 1974:			
Appropriation Act, 1974	169,235,000	78,346,000	247,581,000
Transfers to other agencies for pay costs	<u>-2,584,000^{a/}</u>	<u>-218,000^{b/}</u>	<u>-2,802,000</u>
Adjusted base for 1975	166,651,000	78,128,000	244,779,000
Budget Estimate, 1975	<u>172,867,000</u>	<u>84,115,000</u>	<u>256,982,000</u>
Increase over adjusted 1974 ..	<u>+6,216,000</u>	<u>+5,987,000</u>	<u>+12,203,000</u>

a/ Transferred from appropriated funds as follows: Agricultural Marketing Service, \$2,222,000; Commodity Exchange Authority, \$214,000; Cooperative State Research Service, \$148,000.

b/ Transferred to Agricultural Marketing Service from the Contingency Reserve under the CCC Administrative Expense Limitation.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>Direct Appropriation</u>	<u>Transfers from Commodity Credit Corporation</u>	<u>Total</u>
Adjusted base for 1975	\$166,651,000	\$78,128,000	\$244,779,000
Annualization of pay cost in- crease effective in FY 1974 .	+1,589,000	+1,077,000	+2,666,000
GSA Space rental costs	+4,845,000	+2,175,000	+7,020,000
Restoration of CCC Contingency Reserve	- -	+2,735,000	+2,735,000
Reduction due primarily to elimination of the allocation to Forest Service for the naval stores program	<u>-218,000</u>	<u>- -</u>	<u>-218,000</u>
Budget estimate, 1975	<u>172,867,000</u>	<u>84,115,000</u>	<u>256,982,000</u>

Project Statement
(on basis of adjusted appropriation and CCC transfers)

	1973	1974 (Estimated)	Increase or Decrease	1975 (Estimated)
1. Program formulation and appraisal	\$3,313,505	\$3,322,000	+\$135,000	\$3,457,000
2. Operation of supply adjustment, conservation and support programs	217,555,657	213,131,000	+8,207,000	221,338,000
3. Inventory management and merchandising	28,053,124	28,057,000	+1,126,000	29,183,000
Contingency reserve (CCC) ..	- -	269,000	+2,735,000	3,004,000
Unobligated balance	17,714	- -	- -	- -
Total available or estimate.	248,940,000	244,779,000	+12,203,000 (1)	256,982,000
Transfers from CCC	78,170,000	78,128,000	+5,987,000	84,115,000
Subtotal, Direct Appropriation	170,770,000	166,651,000	+6,216,000	172,867,000
Transferred to other accounts	- -	2,584,000		
Transferred from other accounts	- 1,535,000	- -		
Total, appropriation ...	169,235,000	169,235,000		

JUSTIFICATION OF INCREASES AND DECREASES

(1) The net increase of \$12,203,000 in the total request for 1975 consists of:

(a) GSA space rental costs	+\$7,020,000
(b) Annualization of pay cost increases effective in fiscal year 1974	+2,666,000
(c) Restoration of the CCC Contingency Reserve. (In 1974 it is planned to use \$2,597,000 (of the current reserve of \$2,866,000), for increased pay costs leaving a balance of \$269,000. The proposed increase based on 7 percent of the total request under the limitation on CCC administrative expenses provides a reserve of \$3,004,000 in 1975)	+2,735,000
(d) A decrease of \$218,000 due primarily to elimination of the allocation to Forest Service for technical services provided for conservation practices approved under the naval stores program	-218,000
Total	<u>+12,203,000</u>

EXPLANATION OF PROGRAM

The account "Salaries and Expenses, Agricultural Stabilization and Conservation Service" funds the administrative expenses of programs administered by, and the functions assigned to ASCS. The account was established by the Agricultural Appropriation Act of 1963 (P.L. 87-879) to simplify budgetary and accounting requirements and recordkeeping. **Under the Agricultural Appropriation Act of 1964 (P.L. 88-250)** all additional sources of administrative expense funds including those from the Commodity Credit Corporation administrative expense limitation were authorized to be merged with the appropriation account.

The activities carried out under this account are as follows:

1. Program formulation and appraisal. The supply adjustment, conservation, and commodity support programs, and the management and merchandising of commodities acquired under the support program, have a tremendous impact on the national and, to a lesser extent, the international economy. This activity provides for constant review of the effectiveness of these programs. It also provides for the analysis of data to formulate **more effective programs.**
2. Operation of supply adjustment, conservation, and support programs. This activity includes all functions dealing with the administration of programs carried out through the farmer committee system, including (a) developing program regulations and procedures; (b) holding meetings with employees and producers to discuss new programs or changes in existing programs; (c) collecting and compiling basic data for individual farms; (d) establishing individual farm allotments, bases and yields; (e) establishing proportionate shares for sugar farms when necessary; (f) notifying producers of allotments, proportionate shares, productivity indexes, and payment rates; (g) determining farm marketing allocations; (h) handling appeals; (i) conducting referendums and certifying results; (j) checking compliance with acreage allotments and use of set-aside acres; (k) developing pooling agreements under which several farmers work jointly to solve a common conservation problem which cannot be solved by individual action; (l) issuing marketing cards so that production from the allotted acreage can be marketed without penalty; (m) processing producer requests for conservation cost-sharing; and (n) processing commodity loan documents and issuing sight drafts.
3. Inventory management and merchandising. This activity includes: (a) overall management of CCC-owned commodities; (b) selling commodities; (c) donating commodities; and (d) accounting for loans and commodities.

The 1975 Budget for Salaries and Expenses, ASCS, reflects the transfer of CCC funds used to carry out specific programs not covered by direct appropriation. In addition, it provides that funds made available to the Agricultural Stabilization and Conservation Service by other agencies for services in connection with various programs be advanced to and merged with this appropriation. These transfers consolidate all administrative funds used by ASCS into one account and provide clarity, better management, and control of such funds. The consolidation facilitates accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts.

The following tabulation shows totals in this account for administrative expenses:

Project	1973	1974	1975
Obligations under direct appropriation and CCC transfers:			
ASCS	\$248,720,800	\$244,260,000	\$253,946,000
Forest Service	182,768	- -	- -
Office of the General Counsel	18,718	32,000	32,000
Contingency reserve (CCC)	- -	a/ 269,000	b/ 3,004,000
Subtotal, direct appropriation and CCC transfers	c/ 248,922,286	d/ 244,561,000	256,982,000
Obligations under funds from other sources and consolidated with this account	11,118,469	12,062,000	12,373,000
Total	260,040,755	256,623,000	269,355,000
The above obligations are distributed by activities as follows:			
1. Formulating and appraising programs ..	3,843,229	4,085,000	4,259,000
2. Operating supply adjustment, conservation, and support programs	225,988,268	221,603,000	230,215,000
3. Managing and merchandising commodities and accounting for loans and commodities	30,209,258	30,666,000	31,877,000
Contingency reserve (CCC)	- -	a/ 269,000	b/ 3,004,000
Total	260,040,755	256,623,000	269,355,000

a/ Remaining balance after \$2,597,000 released by Office of Management and Budget to be used for increased pay costs; \$2,379,000 for ASCS and \$218,000 for AMS.

b/ Available only upon release by the Office of Management and Budget.

c/ Excludes \$17,714 unobligated balance.

d/ Excludes \$218,000 unobligated balance.

Following is a brief description of the process for estimating requirements for Expenses, ASCS:

County Offices. A verification study is made in 160 counties to determine the actual time required to complete units of work by category. Time and units reported by verification counties are used to establish coefficients which are applied to units of work reported by each county for each category of work in each major program. This determines the normal man-days required for the workload involved. The workload for each major program is shown in Tables I and II and reflects changes in program requirements.

The change in normal man-days of required work from 1973 to 1974 was determined by a special study group which incorporated program changes pursuant to the Agriculture and Consumer Protection Act of 1973 to establish the estimated man-years for 1974. The estimated man-years for 1975 are a projection of the 1974 man-years based on the relationship of 1975 normal man-days to 1974 normal man-days.

The actual obligations for 1973, divided by the actual man-years determined the average man-year cost for 1973. This cost was revised for 1974 and 1975 to reflect pay and related adjustments.

Field offices and related National Office costs (CCC Administrative Expense Limitation). A work measurement system which has been in effect since 1952 is used for measuring past year accomplishments and projecting requirements for the Commodity Offices, Management Field Offices and the National Office. The estimated volume of activity for each major commodity in terms of loans to be made, acquisitions and dispositions is developed by commodity specialists. This volume is converted to measurable units of work required to carry out these activities. The Field Office report actual work units accomplished and man-years used, as well as the average salary paid.

Table III reflects volume by major activity. Table IV reflects the conversion of program by volume to work units, labor and fund requirements.

Other costs. Requirements for State Offices and the balance of costs for the National Office and Management Field Offices are determined on the basis of past experience and available work measurement data.

The computations used in the 1975 Budget for developing county office and total costs are shown in the following table:

COMPUTATIONS FOR DEVELOPING COUNTY OFFICE AND TOTAL COSTS

Fiscal Year 1973

Normal man-days (Table I)	3,547,050
Man-years for workload programs	15,323
Average cost per man-year	\$11,213
Obligations for weighted workload programs (county offices)	\$171,810,398
Obligations for other offices, unweighted programs of county offices, and allotment accounts	\$88,230,357
Total Obligations, Fiscal Year 1973	<u>\$260,040,755</u>

Fiscal Year 1974

Normal man-days (Table I)	3,283,440
Man-year requirements for workload programs	13,681
Average cost per man-year	\$11,932
Obligations for weighted workload programs (county offices)	\$163,250,000
Obligations for other offices, unweighted programs of county offices, and allotment accounts	\$93,104,000
Total estimated obligations, fiscal year 1974	\$256,354,000
Contingency reserve (CCC) unobligated portion	\$269,000 ^{a/}
Total Obligations and Contingency Reserve, Fiscal Year 1974 ...	<u>\$256,623,000</u>

Fiscal Year 1975

Normal man-days (Table I)	3,283,440
Man-year requirements for workload programs	13,681
Average cost per man-year	\$12,072
Obligations for weighted workload programs (county offices)	\$165,155,000
Obligations for other offices, unweighted programs of county offices, lump sum and severance pay, and allotment accounts	\$101,196,000
Total estimated obligations, fiscal year 1975	\$266,351,000
Contingency reserve (CCC)	\$3,004,000 ^{b/}
Total Obligations and Contingency Reserve, Fiscal Year 1975 ...	<u>\$269,355,000</u>

^{a/} \$2,379,000 (of reserve of \$2,866,000) used for increased pay costs for ASCS in 1974 and \$218,000 used by AMS as approved by the Office of Management and Budget.

^{b/} Available only upon release by the Office of Management and Budget.

NOTE: The above computations include all funds (Appropriated, CCC Transfers, other Advances and Reimbursements) available to Salaries and Expenses, ASCS.

Manpower Required

The Agricultural Stabilization and Conservation Service has reduced man-years of employment by 46.3 percent since 1962, and 23.1 percent since 1968.

Reductions in workload will occur in the following programs: (a) the grain storage structures program which has been reduced each year since 1969 and which is scheduled to terminate July 1, 1974; (b) the compliance activity is being reduced in 1974 and 1975 because of elimination of set-aside requirements; (c) the reduction in support programs in 1974 and 1975 is due to an overall reduction in loan program activity resulting from higher market prices; and (d) land retirement program activity is decreasing because of expiration of long-term contracts.

Increases in workload will occur in the following programs: (a) wheat, feed grain, and cotton due to anticipated increased program participation; and (b) reconstitutions and farm producer data is expected to increase because of the \$20,000 payment limitation and elimination of set-aside requirements.

Man-years of employment have been controlled through the use of (1) specific manpower limitations; (2) management surveys of offices in Washington, D.C. and field; and (3) work measurement.

TABLE I

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

SALARIES AND EXPENSES

Normal Man-days by Program

PROGRAM	FISCAL YEAR		
	1973 Actual	1974 Estimate	1975 Estimate
Rural Environmental Program <u>a/</u>	483,984	486,942	486,942
Wool Act	34,831	35,011	35,011
Loans Made	89,663	85,252	98,251
Support program	222,535	158,571	158,571
Grain Storage Structures program	53,178	44,924	14,975
Compliance	604,608	449,954	449,954
Wheat and Feed Grain program	752,401	731,481	744,530
Tobacco program	109,736	110,300	110,300
Peanut program	16,507	16,591	16,591
Cotton program	167,551	168,410	171,011
Rice program	3,435	3,453	4,753
Sugar program	15,665	15,743	15,743
Referenda (all commodities)	1,140	1,146	1,146
Land Retirement programs	16,690	10,783	10,783
Appalachian Region Conservation Program ...	3,368	3,385	3,385
Reconstitutions and Farm Producer Data	276,878	294,124	294,124
Requests for Reconsideration	62,255	38,552	38,552
General Administration	473,185	468,559	468,559
Committee Elections	159,440	160,259	160,259
Totals	3,547,050	3,283,440	3,283,440

a/ In fiscal years 1974 and 1975, workload is for practices carried out under the Agricultural Conservation Program (Rural Environmental Assistance Program). In Fiscal Year 1975, workload is for completion of the 1974 Agricultural Conservation Program (REAP) and the start of the Rural Environmental Program.

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1973 Actual	1974 Estimate	1975 Estimate	1973 Actual	1974 Estimate	1975 Estimate
REP						
A Request for cost-sharing	612,410	488,122	488,122	270,439	368,078	368,078
B Referrals for technical services	184,638	216,956	216,956	21,775	23,152	23,152
C Conservation materials and services orders	348,667	124,943	124,943	28,388	16,427	16,427
D Payment application	729,298	67,804	67,804	159,254	74,292	74,292
E Pooling agreements	4,913	5,320	5,320	4,128	4,993	4,993
Total, REP				483,984	486,942	486,942
WOOL						
A Applications for payment	261,972	261,972	261,972	34,831	35,011	35,011
Total, WOOL				34,831	35,011	35,011
LOAN SERVICE CHARGES						
A Farm storage commodity loans	155,847	141,871	141,871	67,823	63,735	63,735
B Warehouse loans	59,835	54,471	112,719	12,859	12,157	25,156
C Cotton warehouse loans initially prepared by county office personnel	18,707	19,641	19,641	6,755	7,043	7,043
D Cotton warehouse loans initially prepared by other than county office personnel ...	16,034	16,835	16,835	2,226	2,317	2,317
Total, LOAN SERVICE CHARGES				89,663	85,252	98,251
PRICE SUPPORT						
A Commodity loan reinspections	401,334	401,334	401,334	34,251	34,426	34,426
B Commodity loan repayment and reconciliation settlements	524,390	456,221	456,221	68,121	60,661	60,661
C Cotton loan repayments	249,659	274,635	274,635	1,490	1,561	1,561
D Farm-stored loan takeover and purchases ...	18,725	1,096	1,096	9,186	1,647	1,647
E Farm-stored resale and continued resale commodity loans	231,917	---	---	35,059	---	---
F Extended warehouse loans	45,277	---	---	2,807	---	---
G Warehouse loans acquired	16,950	1,695	1,695	838	475	475
H Reconciliation of warehouse-stored loans ...	4,553	---	---	427	---	---
I Cotton warehouse loans acquired	73	---	---	22	---	---
J Farm storage facility and/or dryer loans ...	47,279	30,837	30,837	47,776	37,128	37,128
K Reconciliation of cotton warehouse loans ...	2	---	---	1	---	---
L Active facility and dryer loans	117,284	117,284	117,284	22,557	22,673	22,673
Total, PRICE SUPPORT				222,535	158,571	158,571

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS		NORMAL MAN-DAYS	
	1973 Actual	1974 Estimate	1973 Actual	1974 Estimate
CCC-GSS				
A Maintenance of sites and structures	74,444	55,891	53,178	44,924
Total, CCC-GSS			53,178	44,924
COMPLIANCE				
A Report of acreage	7,837,542	7,837,542	291,430	296,883
B Notice of measured acreage	486,944	122,032	85,359	32,754
C Report of acreage by post card	803,142	803,142	25,811	26,293
Farm Visits				
D 0 through 9.99 acres	150,537	55,433	31,035	13,014
E 10.0 through 49.99 acres	206,869	67,920	45,611	19,912
F 50.0 through 99.99 acres	67,273	21,150	17,364	7,668
G 100.0 through 499.99 acres	68,240	21,945	21,921	9,998
H 500.0 through 999.99 acres	6,049	2,139	3,544	1,462
I 1000.0 acres and over	2,026	722	1,625	680
J Spot checks	409,937	130,964	80,908	41,290
Total, COMPLIANCE			604,608	449,954
WHEAT AND FEED GRAIN				
A Number of initial wheat allotments	1,342,272	1,342,272	112,872	113,452
B Number of initial feed grain bases	3,645,239	3,645,239	183,674	184,617
C Participating wheat and/or feed grain farms.	2,965,310	3,594,965	442,090	433,412
D Stored excess wheat	7,439	---	2,208	---
E Wheat final payments	1,224,518	---	11,557	---
Total, WHEAT AND FEED GRAIN			752,401	731,481
TOBACCO (FLUE-CURED)				
A Tobacco allotments	192,471	192,471	9,566	9,615
B Lease and transfer of allotments	93,477	93,477	13,632	13,702
C Marketing cards	176,284	176,284	14,482	14,556
D Tobacco market operations	869,447	869,447	14,938	15,015
Total, TOBACCO (FLUE-CURED)			52,618	52,888
TOBACCO (EXCEPT FLUE-CURED)				
A Tobacco allotments	340,955	340,955	11,180	11,238
B Transfer of allotments	77,203	77,203	17,368	17,458

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1973 Actual	1974 Estimate	1975 Estimate	1973 Actual	1974 Estimate	1975 Estimate
C Marketing cards	273,905	273,905	273,905	21,295	21,404	21,404
D Tobacco market operations	365,640	365,640	365,640	7,275	7,312	7,312
Total, TOBACCO (EXCEPT FLUE-CURED)				57,118	57,412	57,412
PEANUTS						
A Peanut allotments	82,599	82,599	82,599	5,046	5,071	5,071
B Allotments released and reapportioned	1,706	1,706	1,706	323	325	325
C Transfer of allotment	21,820	21,820	21,820	5,725	5,754	5,754
D Marketing cards	68,057	68,057	68,057	5,413	5,441	5,441
Total, PEANUTS				16,507	16,591	16,591
COTTON PROGRAM						
A Farm acreage allotments	555,033	555,033	555,033	64,875	65,208	64,908
B Allotments released and reapportioned	60,747	60,747	60,747	3,561	3,579	3,563
C Transfer of upland or ELS cotton allotments	361,377	361,377	361,377	36,480	36,667	36,498
D Participating farms	247,161	247,161	259,276	62,635	62,956	66,042
Total, COTTON PROGRAM				167,551	168,410	171,011
RICE PROGRAM						
A Rice allotments	16,913	16,913	23,641	2,278	2,290	3,201
B Allocation of allotments	7,695	7,695	10,722	984	989	1,378
C Allotments released and reapportioned	1,468	1,468	1,468	173	174	174
Total, RICE PROGRAM				3,435	3,453	4,753
SUGAR BEETS						
A Participating ownership tracts	41,999	41,999	41,999	4,099	4,120	4,120
B Sugar payments	26,263	26,263	26,263	7,141	7,177	7,177
Total, SUGAR BEETS				11,240	11,297	11,297
SUGARCANE						
A Proportionate shares	3,943	3,943	3,943	1,357	1,363	1,363
B Participating ownership tracts	7,747	7,747	7,747	1,376	1,383	1,383
C Sugar payments	5,383	5,383	5,383	1,692	1,700	1,700
Total, SUGARCANE				4,425	4,446	4,446

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS		NORMAL MAN-DAYS	
	1973 Actual	1974 Estimate	1973 Actual	1974 Estimate
REFERENDA (all commodities)				
A Mail referenda	82,005	82,005	1,026	1,031
B Polling place referenda	553	553	114	115
Total, REFERENDA			1,140	1,146
LAND RETIREMENT PROGRAMS				
A Request for agreement	10,268	---	5,962	---
B Agreements	38,388	38,388	10,362	10,415
C Cost-sharing	1,256	1,256	366	368
Total, LAND RETIREMENT PROGRAMS			16,690	10,783
ALSCP				
A Request for contract	195	195	528	531
B Cost-share contract	9,126	9,126	1,039	1,044
C Cost-sharing	3,479	3,479	1,801	1,810
Total, ALSCP			3,368	3,385
RECONSTITUTIONS & FARM PRODUCER DATA				
A Reconstitution of farms	1,511,140	1,662,388	105,923	112,627
B Maintaining basic farm and producer data	1,197,489	1,317,386	170,955	181,497
Total, RECONSTITUTIONS			276,878	294,124
APPEALS, REQUEST FOR RECONSIDERATION				
A Allotments and/or feed grain bases	30,354	23,046	7,569	6,747
B Yields	55,178	55,178	16,533	16,618
C Conserving bases	133,755	---	23,044	---
D All other requests for reconsideration	93,318	93,318	15,109	15,187
Total, APPEALS, REQUEST FOR RECONSIDERATIONS			62,255	38,552

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1973 Actual	1974 Estimate	1975 Estimate	1973 Actual	1974 Estimate	1975 Estimate
ADMINISTRATIVE AND DEFENSE						
A Administrative checks issued	1,073,388	1,019,766	1,019,766	456,978	452,268	452,268
B Defense Operations	10,331	10,331	10,331	16,207	16,291	16,291
Total, ADMINISTRATIVE AND DEFENSE				473,185	468,559	468,559
COMMITTEE ELECTIONS						
A Committeemen	64,767	64,767	64,767	159,440	160,259	160,259
Total, COMMITTEE ELECTIONS				159,440	160,259	160,259
TOTAL NORMAL MAN-DAYS				3,547,050	3,283,440	3,283,440

COMMODITY CREDIT CORPORATION
Summary of Major Program Volume by Commodity
(In thousands)

- 180 -

TABLE III

Item and Commodity	1973 Actual	1974 Estimate	1975 Estimate	Increase (+) or Decrease (-)	
				Quantity	Percent
1. <u>LOANS MADE</u>					
Cotton (bales).....	1,945	2,025	3,030	+1,005	+50
Corn (bu.).....	434,585	250,000	400,000	+150,000	+60
Grain sorghums (bu.).....	29,896	15,000	25,000	+10,000	+67
Wheat (bu.).....	131,347	62,000	90,000	+28,000	+45
Soybeans (bu.).....	90,479	150,000	200,000	+50,000	+33
Rice, rough (cwt.).....	22,917	15,000	35,000	+20,000	+133
Other grains (bu.) ^{1/}	79,601	29,350	48,000	+18,650	+64
2. <u>ACQUISITIONS</u>					
Cotton (bales).....	-	-	-	-	-
Dairy products (lb.).....	304,187	4,200	-	-4,200	-100
Corn (bu.).....	31,973	1,000	1,000	-	-
Grain sorghums (bu.).....	2,302	100	4,558	+4,458	+4,458
Wheat (bu.).....	30,838	8,200	13,277	+5,077	+62
Soybeans (bu.).....	7	-	-	-	-
Rice (cwt.).....	1,802	449	23,633	+23,184	+5,163
Other grains (bu.) ^{1/}	14,985	950	650	-300	-32
3. <u>DISPOSITIONS</u>					
Cotton (bales).....	22	2	-	-2	-100
Dairy products (lb.) ^{2/}	428,984	102,811	-	-102,811	-100
Corn (bu.).....	105,973	80,209	2,000	-78,209	-98
Grain sorghums (bu.).....	34,044	11,620	7,075	-4,545	-39
Wheat (bu.).....	254,179	151,776	13,577	-138,199	-91
Soybeans (bu.).....	1	6	-	-6	-100
Rice (cwt.).....	4,764	454	633	+179	+39
Other grains (bu.) ^{1/}	116,133	116,534	16,690	-99,844	-86
4. <u>ENDING INVENTORIES</u>					
Cotton (bales).....	2	-	-	-	-
Dairy products (lb.) ^{2/}	98,611	-	-	-	-
Corn (bu.).....	81,209	2,000	1,000	-1,000	-50
Grain sorghums (bu.).....	14,037	2,517	-	-2,517	-100
Wheat (bu.).....	144,076	500	200	-300	-60
Soybeans (bu.).....	6	-	-	-	-
Rice (cwt.).....	5	-	23,000	+23,000	+100
Other grains (bu.) ^{1/}	148,534	32,950	17,050	-15,900	-48

^{1/} Includes barley, oats, rye, flaxseed and dry edible beans.

^{2/} Includes butter, cheese, nonfat dry milk.

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

ACR# ITEM NO.	ACTIVITY	UNIT OF MEASURE	FISCAL YEAR			1973 Actual			FISCAL YEAR			1974 Estimate			1975 Estimate		
			TOTAL UNITS	MAN-YEARS	UNITS TO BE PERMANENT	TOTAL UNITS	MAN-YEARS	UNITS TO BE PERMANENT	TOTAL UNITS	MAN-YEARS	UNITS TO BE PERMANENT	TOTAL UNITS	MAN-YEARS	UNITS TO BE PERMANENT			
DIRECT LABOR																	
PROGRAM ACTIVITIES																	
Storage Management																	
01		Document	7,337		510	14.4			7,255		445	16.3		445	16.3		
02	Tariff and Section 22 Quotations	Tariff, Suppl. Quotation	134,871		46,507	2.9			129,000		41,613	3.1		129,000	41,613		
03	Tobacco Allotments and Sales	Allots. and Sales Doc.	1,505,678		209,122	7.2			1,560,000		181,395	8.6		1,560,000	181,395		
05	Audit of Tonnage	Carlot	31,125		7,074	4.4			26,000		6,500	4.0		26,000	6,500		
06	Periodic Storage and Other Payments	Invoice or Draft	104,088		5,751	18.1			58,522		5,320	11.0		58,522	5,320		
07	Settlements	Carlot or Bale	175,782		10,718	16.4			135,052		12,437	10.9		128,978	9,327		
10	CCC Blns and Equipment	Transaction	29,733		10,619	2.8			11,000		5,790	1.9		11,000	5,790		
11	Loading Orders Issued or Notices to Deliver	Carlot, ND	494,728		8,982	55.2			189,972		6,156	30.9		107,041	6,156		
12	Reconciliation of Transit	Freight Bill	33,283		9,789	3.4			56,316		13,409	4.2		56,316	13,409		
13	Reconcentration Orders Issued, Cotton	Bales	1,416		14,160	1			200		1,000	2		200	1,000		
14	Deliveries	B L or Del. Receipt	179,520		3,413	52.6			179,675		5,095	35.3		87,041	3,166		
15	Freight Payments, All Commodities	Freight Bill	136,911		4,489	30.5			134,378		5,661	23.7		82,907	4,529		
16	Post Audit of Freight Bills	Paid Freight Bill	122,849		15,954	7.7			39,950		10,244	3.9		39,950	10,244		
17	Public Law 480	Supplier's Invoice	2,569		240	10.7			4,241		416	10.2		8,482	416		
18	Export Payments	Application for Payment	16,027		3,484	4.6			15,000		3,846	3.9		1,600	1,923		
20	CCC Storage	Transaction, Line Item	5,876		7,345	8			4,000		8,000	5		4,000	8,000		
21	Purchases	Purchase (Comm. Office)	50,751		3,429	14.8			51,415		4,284	12.0		28,063	2,400		
	Purchases	Purchase Payments	65,521		2,776	23.6			65,860		2,779	23.7		36,482	2,100		
	Cotton	Bale	22,749		18,957	1.2			20,000		8,000	2.5		--	--		
22	Sales and Donations	Grain & Bulk Commodities	295,505		9,950	29.7			95,820		5,475	17.5		28,978	3,560		
	Processed Commodities	Carlot	38,178		6,941	5.5			33,112		6,493	5.1		28,063	6,493		
26	Freight Forwarding	Shipping Authorization	13,964		1,995	7.0			4,502		506	8.9		4,502	506		
	Grain Etc.	Note	329,273		8,948	36.8			306,999		7,792	39.4		303,850	7,792		
27	Commodity Loans Made	Cotton Form A	252,441		84,147	3.0			477,000		216,818	2.2		1,060,000	216,818		
	Cotton Form G	G-2 Summary (Line)	1,687,011		733,483	2.3			2,163,000		1,802,500	1.2		1,970,000	1,802,500		
28	Storage Facility & Equipment Loans Made	Draft	53,224		33,265	1.6			13,000		14,444	.9		4,000	7,222		
30	Commodity Loans Repaid	Item on Form CCC-500	526,839		107,518	4.9			287,425		68,435	4.2		229,336	68,435		
	Cotton	CCC-811 or G-2 Summary	1,856,988		582,724	3.3			2,415,000		832,759	2.9		2,130,000	832,759		
31	Storage Facility & Equipment Loans Repaid	Item on Form CCC-500	104,063		94,603	1.1			110,000		64,706	1.7		110,000	64,706		
32	Commodity Acquisition Form Stored	Settlement Documents	12,766		2,409	5.3			40,980		2,886	14.2		336	2,886		
															3		

TABLE IV

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	FISCAL YEAR				FISCAL YEAR				FISCAL YEAR			
			1973 Actual				1974 Estimate				1975 Estimate			
			TOTAL UNITS	UNITS TO BE PROCESSED PERMANENT	MAN-YEARS		TOTAL UNITS	UNITS TO BE PROCESSED PERMANENT	MAN-YEARS		TOTAL UNITS	UNITS TO BE PROCESSED PERMANENT	MAN-YEARS	
33	Warehouse Stored	W R or Line Item	28,388	21,837	1.3		93,343	29,170	3.2		2,152	14,250	.2	
		Bale	--	--	--		--	--	--		--	--	--	
		Bale	--	--	--		21,750	14,500	1.5		--	--	--	
36	Sight Drafts or PIK Certificates	Sight Draft or Certificate	5,664,558	309,539	18.3		5,213,700	306,688	17.0		3,000,000	230,000	13.0	
37	Producer Payments Reporting	Scanned Line	778,183	102,392	7.6		800,000	109,589	7.3		800,000	109,589	7.3	
38	Feed Grain, Wheat & Cotton Div. Programs	Data Sheet	5,401,225	529,532	10.2		6,000,000	869,565	6.9		6,000,000	869,565	6.9	
40	Wheat Certificate Program	Processor Report	25,713	8,571	3.0		18,717	5,199	3.6		--	--	--	
41	Field Contacts	Contact	985	83	11.8		1,060	78	13.6		--	--	--	
42	County Office Administrative Exp. System	MAN-YEARS	642,211	229,361	2.8		600,000	213,448	2.8		500,000	213,448	2.3	
43	County Office Workload & Fund Allocation	Line Item (Record)	75,047	250,157	.3		82,500	412,500	.2		82,500	412,500	.2	
44	Reports	Report	9,924	443	22.4		9,962	429	23.2		9,962	429	23.2	
46	Claims	Claim Docs. or Register	17,266	540	32.0		11,259	409	27.5		12,500	409	30.6	
47	Root Applications and Reporting	Application for Payment	--	--	--		--	--	--		--	--	--	
48	Accounts Receivable	Item	41,538	5,192	8.0		36,110	4,458	8.1		40,000	4,458	9.0	
49	Cash Receipts	Cash Item or Schedule	822,227	45,177	18.2		483,274	42,768	11.3		400,000	42,768	9.4	
50	Appropriated Fund Data Processing Serv.	Cards	--	--	--		--	--	--		--	--	--	
	MISCELLANEOUS	MAN-YEARS	--	--	--		--	--	--		--	--	--	
	TOTAL PROGRAM ACTIVITIES	MAN-YEARS			507.8				431.2				358.0	
57.1	ADP Systems Analysis	Program	539	26	20.9		564	25	22.6		664	12	57.6	
57.2	Initial System Design	Program Modification	2,074	104	20.0		1,364	79	17.3		1,364	79	17.3	
57.3	Systems Maintenance	MAN-YEARS	--	--	20.9		--	--	34.0		--	--	34.8	
	Programming	Program	654	22	29.4		582	20	29.3		632	13	47.3	
58.2	Programming Maintenance	Program Modification	2,561	74	34.5		1,518	56	26.9		1,518	56	26.9	
58.3	Other	MAN-YEARS	--	--	18.4		--	--	30.2		--	--	38.1	
	Computer Operations and Control	Log Entry or Set-up	171,275	3,378	50.7		--	--	1.9		--	--	15.9	
59.1	Computer Operations	Log Entry or Set-up	186,987	16,695	11.2		184,167	19,386	9.5		184,167	19,386	9.5	
59.2	Job Cost Writing	Reel	348,489	44,678	7.8		--	--	.7		--	--	.7	
59.3	Library Operations	Log Entry or Set-up	171,275	53,523	3.2		--	--	.6		--	--	.6	
59.4	Machine Utilization Recording	MAN-YEARS	--	--	3.4		--	--	--		--	--	--	
59.5	Other	MAN-YEARS	--	--	3.4		--	--	--		--	--	--	
	TOTAL AUTOMATIC DATA PROCESSING ACTIVITIES	MAN-YEARS			220.4				173.0				248.7	

TABLE IV

Page 3

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	FISCAL YEAR			FISCAL YEAR			FISCAL YEAR		
			1973 Actual		MAN-YEARS	1974 Estimate		MAN-YEARS	1975 Estimate		MAN-YEARS
			TOTAL UNITS	UNITS TO BE PROCESSED PERMAN-YEAR		TOTAL UNITS	UNITS TO BE PROCESSED PERMAN-YEAR		TOTAL UNITS	UNITS TO BE PROCESSED PERMAN-YEAR	
Personnel Work											
60.1	Employment	Forms SF-52, AD-352	1,451	453	3.2	971	313	3.1	971	313	3.1
60.2	Employee Relations and Development	Case	1,012	506	2.0	1,006	529	1.9	1,006	529	1.9
Budget and Management Analysis											
61.1	Management Projects and Studies	Project or Study	952	65	14.6	1,075	73	14.8	1,075	73	14.8
61.2	Procedure Development and Maintenance	Item (Procedural)	499	22	22.6	458	22	20.5	458	22	20.5
61.3	Other	MAN-YEARS	--	--	11.4	--	--	15.7	--	--	15.7
62	Mail and Messenger Service	Piece of Mail	15,635,754	1,489,119	10.5	2,479,400	399,903	6.2	2,479,400	399,903	6.2
Miscellaneous Administrative Activities											
63.1	Records Management	Job	435,053	87,011	5.0	294,800	70,190	4.2	294,800	70,190	4.2
63.2	Reproduction	Job	7,919	2,084	3.8	8,100	2,314	3.5	8,100	2,314	3.5
63.3	Other Administrative Activities	MAN-YEARS	10,017	1,043	9.6	8,092	771	10.5	8,092	771	10.5
TOTAL ADMINISTRATIVE ACTIVITIES											
		MAN-YEARS	--	--	82.7	--	--	80.4	--	--	80.4
TOTAL DIRECT LABOR, LESS LEAVE											
		MAN-YEARS	--	--	810.9	--	--	684.6	--	--	687.1
65	LEAVE, DIRECT LABOR (18 %)	MAN-YEARS	--	--	146.0	--	--	123.2	--	--	123.7
TOTAL DIRECT LABOR											
		MAN-YEARS	--	--	956.9	--	--	807.8	--	--	810.8
TOTAL INDIRECT LABOR											
66		MAN-YEARS	--	--	90.9	--	--	85.0	--	--	82.0
TOTAL LABOR											
		MAN-YEARS	--	--	1,047.8	--	--	892.8	--	--	892.8

TABLE IV
Page 4

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

Activity	Estimated Cost	Man-years	Estimated Cost	Man-years	Estimated Cost	Man-years
Total Commodity Offices and Data Systems Field Office		1,047.8		892.8		892.8
Management Field Offices		75.5		70.2		70.2
Total		1,123.3		963.0		963.0
Average Salary	\$11,522		\$12,955		\$13,161	
Personnel Compensation	12,943,015		12,475,932		12,673,733	
Less Man-years Overtime		11.6		11.6		11.6
Total object 12 - 26	2,557,602		2,283,245		2,319,444	
Total All Objects	15,500,617	1,111.7	14,759,177	951.4	14,993,177	951.4
Washington Divisions & Offices	15,381,383	340.3	16,407,823	334.0	17,379,823	334.0
Use of Reserve (ASCS) for Pay & Related Costs	2,190,000		1,559,000		-	
Transfer to AMS	(33,072,000)	1,452.0	(32,726,000)	1,285.4	(32,373,000)	1,285.4
Transfer to EMS	2,763,886		3,075,000		3,203,000	
Transfer to FAS	3,755,764		1,758,000		-	
Total Estimated Obligations	-		2,072,000		3,620,000	
Reserve:	39,591,650		39,631,000		39,196,000	
Contingency	-		269,000		3,004,000	
Unobligated Balance	308,350		-		-	
Limitation	39,900,000		39,900,000		42,200,000	

STATUS OF PROGRAM

This account includes funds to cover expenses of programs administered by, and functions assigned to, the Agricultural Stabilization and Conservation Service. The funds consist of direct appropriation, transfers from Commodity Credit Corporation, and miscellaneous advances and reimbursements from other sources. This consolidated account pays for all operating expenses for administering the Agricultural Stabilization and Conservation Service programs.

Responsibility for administration of ASCS farm programs in the field is vested in Agricultural Stabilization and Conservation (ASC) farmer-committees. ASC State committees consist of from three to five farmer members appointed by the Secretary of Agriculture for a period of one year. ASC county and community committees are elected by farmers who are participating or eligible to participate in any ASCS program.

Commodity offices have management responsibility for the proper storage, merchandising, and accounting for CCC-owned inventory. They initiate movements as necessary from local storage points to interior and terminal warehouses. They eventually sell or otherwise dispose of these commodities in the best interests of the taxpayer.

The principal activities of the Service include set-aside programs, production adjustment programs, conservation programs, support programs and other related activities.

There follows a brief description of some of the major programs for which this Agency is responsible and the volume of work performed in fiscal year 1973.

Acreage allotments and marketing quotas. In accordance with the provisions of the Agricultural Adjustment Act of 1938 and its later amendments, allotment-quota programs for 1973 crops were in effect for rice, peanuts, extra long staple cotton, and most types of tobacco; and allotments were in effect for wheat and upland cotton. The Agricultural Act of 1970 suspended quotas for wheat and upland cotton for 1971, 1972, and 1973. Quotas were never in effect for corn, and the quota authority for corn was repealed in 1954; corn allotments ended with the 1958 crop. No marketing quota program can be put into effect without the approval of at least two-thirds of the producers voting in a national referendum. A special marketing quota program for flue-cured tobacco provides poundage quotas as well as acreage allotments when approved by more than two-thirds of the farmers voting in a referendum. In 1973, a program of poundage quotas only was in effect for burley tobacco. In fiscal year 1973 referendums were held and quotas approved for ELS cotton, rice, and flue-cured tobacco.

	<u>Number of allotments</u>
Tobacco	533,426
Peanuts	82,599
Cotton	555,033
Rice	16,913

Agricultural Conservation Program (REAP). This program is carried out under the authority contained in sections 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. The objectives, as stated in such Act, include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water, and (3) conserving water on the land.

Cost-sharing assistance is made available to farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil- and water-conserving practices on their farms. Federal assistance represents only a part of the cost of carrying out the practice. The farmer bears the balance of the cost and in addition, furnishes the labor and management necessary to carry out the practice.

Activities in fiscal year 1973 included the following:

Number of requests for cost-sharing	612,410
Number of conservation materials and services orders	348,667
Number of referrals for technical service	184,638
Number of approvals, performance reports, and applications for payment	729,298
Number of pooling agreements	4,913

Sugar Act program. The Sugar Act of 1948, as amended, is designed to (1) protect the welfare of the domestic sugar industry, (2) to provide adequate supplies of sugar for consumers at fair prices, and (3) to promote international trade.

Sugarcane is produced on the mainland in Louisiana and Florida. The off-shore domestic sugarcane area consists of Hawaii and Puerto Rico. The sugar beet producing area includes 17 States.

Participating ownership tracts	49,746
Estimated planted acreage	2,200,755

Feed Grain, wheat, and cotton programs. The Agricultural Act of 1970 authorized set-aside programs for feed grains, wheat, and cotton for 1971-1973 crops. The main objectives of these programs are to assure consumers continued abundant supplies of food and fiber at fair and reasonable prices while improving farm income, affording producers more opportunity to produce the crops of their choice, encouraging market growth at home and abroad, and providing administrative flexibility to assure effective program operation while keeping down government costs.

Number of participating farms (1973 crop):

Feed Grain and Wheat	2,965,310
Cotton (Upland)	247,161

Support program. Support is mandatory for the commodities designated as "basic" in the Agricultural Adjustment Act of 1938, as amended - tobacco, peanuts, cotton, wheat, corn, and rice. Mandatory nonbasic commodities include barley, oats, rye, grain sorghums, tung nuts and oil, honey, milk, butterfat, and the products of milk and butterfat. The Secretary is also authorized to make support available on other than mandatory nonbasic commodities. Support is available to producers through loans, payments, and purchases.

Activities under the program include reinspection of farm-stored loans, processing loan repayments, acquiring commodities, and the sale of grain under the livestock feed program.

Support program activities in fiscal year 1973 included:

Number of support loans	1,811,687
Number of loan repayments and reconcentration settlements	524,390
Reinspection of farm-stored loans	401,334
Number of farm-stored loans taken over	18,725
Number of reseals	231,917
Number of warehouse loans acquired (except cotton)	16,950

Wool Act program. This is an incentive program to increase the annual domestic production of wool. The National Wool Act of 1954 authorized the program as a measure for national security and in promotion of the general welfare. The Agricultural Act of 1970 extended the program and established incentive prices for 1971-1973.

Payments are set at a level to bring the national average price received by all producers up to the national price of 72¢ per pound, shorn wool grease basis.

Number of applications for payment 261,972

CCC-owned storage facilities. This program is authorized under the CCC Charter Act. Every effort is made to make maximum use of commercial facilities in the storage of CCC-owned commodities. However, when private facilities are inadequate, Government facilities for storing CCC-owned commodities, primarily grain, are utilized.

Number of structures (as of June 30, 1973) 39,858
Number of bushels in storage (as of June 30, 1973) 31,407,320

Under this program, Government-owned structures not needed are temporarily rented to farmers for their use, or are sold to farmers and nonprofit organizations. In the fiscal year 1973, 31,752 structures, with a capacity of 97.6 million bushels, were transferred or sold on a sealed bid or public auction basis.

Farm storage facility program. Under this program recourse loans are made to help farmers finance storage facilities and equipment on their own farms.

Number of active facility and dryer loans (as of June 30, 1973) 117,284

Land retirement programs - Cropland Adjustment, Cropland Conversion, and Water Bank Act programs. Under these programs, authorized by the Food and Agriculture Act of 1962, 1965, and 1970, farmers entered into long-term agreements to convert cropland from production of certain crops to more needed uses that will promote the development and conservation of our soil, water, forest, wildlife and recreational resources.

Number of agreements 38,388

(b) Sugar Act Program

Appropriation Act, 1974	\$88,500,000
Budget Estimate, 1975	90,200,000
Increase in Appropriation	+1,700,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

	<u>1974</u>	<u>Increase or Decrease</u>	<u>1975 Estimate</u>
Payments to sugar producers:			
a. Continental beet area ...	\$54,609,000	+\$16,000	\$54,625,000
b. Continental (Louisiana- Florida) cane area	19,500,000	+910,000	20,410,000
c. Texas cane area	885,000	+153,000	1,038,000
d. Offshore cane area	13,506,000	+621,000	14,127,000
Total available	88,500,000	+1,700,000	90,200,000

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1973</u>	<u>1974 (estimated)</u>	<u>Increase or Decrease</u>	<u>1975 (estimated)</u>
Payments to sugar producers:				
a. Continental beet area ...	\$52,347,689	\$54,609,000	+\$16,000 (1)	\$54,625,000
b. Continental (Louisiana- Florida) cane area	18,445,192	19,500,000	+910,000 (2)	20,410,000
c. Texas cane area	- -	885,000	+153,000 (3)	1,038,000
d. Offshore cane area	13,707,119	13,506,000	+621,000 (4)	14,127,000
Total, appropriation or estimate	84,500,000	88,500,000	+1,700,000	90,200,000

EXPLANATION OF PROGRAM

The Sugar Act of 1948 has been amended numerous times, the last amendment, the "Sugar Act Amendments of 1971," extended the Act through December 31, 1974. The chief objective of the Act is "to protect the welfare of consumers of sugar and those engaged in the domestic sugar-producing industry." This involves determination of U. S. consumption requirements and administration of quotas to regulate imports of sugar produced in foreign areas. The quota for each domestic area is allotted to individual sellers to achieve orderly marketing. Restrictive farm acreage allotments are established for producers when necessary to avoid surpluses. Payments to supplement farm income are made to domestic sugar growers who comply with certain labor, wage, price, and marketing requirements prescribed by law.

JUSTIFICATION OF INCREASES AND DECREASES

The increase of \$1,700,000 in payments is comprised of the items shown below:

(1) An increase of \$16,000 for payments to producers in the continental beet area (\$54,609,000 available in 1974). The 1974 crop production is estimated at 3,500,000 short tons, raw value, which is 300,000 tons more than the 1973 crop is expected to produce. The estimate provides \$3,839,130 to complete payments on the 1973 crop, plus payments totaling \$50,785,870 on the 1974 crop. An estimated \$5,914,130 in payments on the 1974 crop, which will be earned near or after the close of the fiscal year, will be included in the estimate for fiscal year 1976.

(2) An increase of \$910,000 for payments to producers in the continental (Louisiana-Florida) cane area (\$19,500,000 available in 1974). The 1974 crop production is estimated at 1,730,000 short tons, raw value, about 80,000 tons more than the 1973 crop estimate. The budget estimate provides for payments of \$20,410,000 on the 1974 crop.

(3) An increase of \$153,000 for payments to producers in the Texas cane area (\$885,000 available in 1974). The 1974 crop is estimated at 88,000 short tons, raw value, about 13,000 tons more than the 1973 crop estimate.

(4) An increase of \$621,000 for payments to producers in the offshore cane area (\$13,506,000 available in 1974). The 1974 crop production in Hawaii is estimated at 1,144,000 short tons, raw value, which is the same as the area's 1973 production estimate. The 1974 crop in Puerto Rico is estimated at 300,000 short tons, about 45,000 tons more than the 1943 crop estimate.

Need for Increases: No restrictive proportionate shares have been established in any area on the 1974 crop. Total sugar production from this crop is estimated at 6,762,000 short tons, raw value, an increase of 438,000 tons over the estimated total production for the 1973 crop. Production estimates for the 1974 crop are based upon an analysis and consideration of the following factors:

- (a) Statistical Reporting Service crop reports;
- (b) Effective inventory of sugar on January 1, 1973;
- (c) Probable production and consumption of sugar during 1973;
- (d) Prospective effective sugar inventory on January 1, 1974;
- (e) Prospective level of consumers sugar requirements for the calendar year 1974; and
- (f) Quota provisions of the Sugar Act.

To estimate payment requirements for the 1974 crop, each area's estimated production was multiplied by its average rate of payment per ton of sugar produced from recent crops. These crops were selected, for each producing area, on the basis of normal crop conditions having prevailed.

The number of payees under the Sugar Act program is shown in Table I. The estimate for the 1974 crop program compared with prior year data by areas on tonnage, production, total payments and average payments per ton is shown in Table II.

The method of financing payments to producers is shown by crop years and fiscal years in Table III.

NUMBER OF PAYEES

Table I

	1972 Crop	1973 (Crop (est.))	1974 Crop (est.)
Continental beet area	25,881	26,000	26,000
Continental (Louisiana-Florida) cane area	5,145	5,100	5,100
Texas cane area	- -	200	200
Hawaii	482	490	490
Puerto Rico	3,630	3,600	3,600
Total	35,138	35,390	35,390

Sugar Program Data 1972-1974 Crop Years

Table II

<u>Area</u>	<u>1972 Crop Year (Actual)</u>	<u>1973 Crop Year (Estimated)</u>	<u>1974 Crop Year (Estimated)</u>	<u>Increase (+) or Decrease (-) 1974 Crop Compared with 1973 Crop</u>
<u>Beet Area</u>				
Tons produced	3,663,000	3,200,000	3,500,000	+300,000
Total payments	\$58,250,000	\$51,840,000	\$56,700,000	+\$4,860,000
Payment per ton	\$15.902	\$16.200	\$16.200	- -
<u>Louisiana-Florida Cane Area</u>				
Tons produced	1,620,000	1,650,000	1,730,000	+80,000
Total payments	18,445,192	\$19,500,000	\$20,410,000	+\$910,000
Payment per ton	\$11.386	\$11.818	\$11.798	-\$0.020
<u>Texas Cane Area</u>				
Tons produced	- -	75,000	88,000	+13,000
Total payments	- -	\$885,000	\$1,038,000	+\$153,000
Payment per ton	- -	\$11.800	\$11.795	-\$0.005
<u>Hawaii</u>				
Tons produced	1,119,000	1,144,000	1,144,000	- -
Total payments	\$9,667,303	\$9,987,000	\$9,987,000	- -
Payment per ton	\$8.639	\$8.730	\$8.730	- -
<u>Puerto Rico</u>				
Tons produced	298,000	255,000	300,000	+45,000
Total payments	\$4,039,816	\$3,519,000	\$4,140,000	+\$621,000
Payment per ton	\$13.556	\$13.800	\$13.800	- -
<u>Total</u>				
Tons produced	6,700,000	6,324,000	6,762,000	+438,000
Total payments	\$90,802,311	\$85,731,000	\$92,275,000	+\$6,544,000
Payments per ton	\$13.493	\$13.556	\$13.646	+\$0.090

SUGAR PROGRAM FINANCIAL REQUIREMENTS Table III

	1973 Appropriation 123/43305	1974 Appropriation 124/53305	1975 Appropriation 125/63305	1976 Appropriation 126/73305	Total
1971 Sugar Program:					
Payments to producers:					
Continental Sugar Beet Area	\$705,819				\$705,819
Total	705,819				705,819
1972 Sugar Program:					
Payments to producers:					
Continental Sugar Beet Area	51,641,870	\$6,608,130			58,250,000
1/ Continental Sugar Cane Area	18,445,192				18,445,192
Hawaii	9,667,303				9,667,303
Puerto Rico (1972)	4,039,816				4,039,816
Total, 1972 program payments	83,794,181	6,608,130			90,402,311
1973 Sugar Program:					
Payments to producers:					
Continental Sugar Beet Area		48,000,870	\$3,839,130		51,840,000
Louisiana-Florida Sugar Cane Area		19,500,000			19,500,000
Texas Sugar Cane Area		885,000			885,000
Hawaii		9,987,000			9,987,000
Puerto Rico (1972-1973)		3,519,000			3,519,000
Total, 1973 program payments		81,891,870	3,839,130		85,731,000
1974 Sugar Program:					
Payments to producers:					
Continental Sugar Beet Area				\$5,914,130	56,700,000
Louisiana-Florida Sugar Cane Area			50,785,870		20,410,000
Texas Sugar Cane Area			20,410,000		1,038,000
Hawaii			1,038,000		9,987,000
Puerto Rico (1973-1974)			9,987,000		4,140,000
Total, 1974 program payments			86,360,870	5,914,130	92,275,000
Total Conditional Payments to Producers	84,500,000	88,500,000	90,200,000		
Total, Appropriation or Estimate	84,500,000	88,500,000	90,200,000		

1/ Louisiana and Florida.

STATUS OF PROGRAM

The Sugar Program has a three-fold purpose:

To protect the welfare of the U. S. sugar industry.

To provide U. S. consumers with ample supplies of sugar at reasonable prices.

To promote and strengthen the export trade of the United States.

Receipts. Receipts under the sugar program exceed government outlays. The Sugar Act, through an amendment to the Internal Revenue Code, imposes a tax of 50 cents per hundred pounds of sugar, raw value, on all beet or cane sugar processed in or imported into the continental United States for direct-consumption. The excise tax on sugar, under Public Law 92-138, was extended to June 30, 1975.

Table I shows taxes collected compared with obligations under the sugar program.

The U. S. Sugar Act has five main features:

1. Setting U. S. Sugar Requirements. The quantity of sugar needed to maintain adequate supplies at reasonable prices for U. S. consumers and to assure fair prices to U. S. producers is determined for each year by the Secretary of Agriculture.
2. Establishing Sugar Quotas. This yearly sugar requirement is divided among specified domestic and foreign producing areas through quotas assigned to each.

Sugar requirements and quotas for the calendar years 1972 and 1973 are shown in Table II.

3. Providing Marketing Allotments. Within domestic quotas, allotments are established for domestic processors, when needed, to keep the sugar movements orderly in the marketing channels. For calendar year 1973 the mainland (Louisiana and Florida) cane sugar area quota was allotted.
4. Setting Farm Proportionate Shares. Domestic farm production is limited, as needed, to the acreage required to produce the sugar needed to meet domestic quotas and to maintain sugar inventories. When it is determined that production plus carryover is likely to be greater than needed, restrictive proportionate shares are established for each farm. Restrictive proportionate shares are not in effect in any of the sugar areas for the 1974 crop.
5. Making Conditional Payments to Producers. Payments are made to producers to compensate them for adjusting their production. In addition to providing an incentive to growers to adjust their production to quota and carryover needs, the payments have three objectives: (a) to help growers obtain adequate income for sugarcane and sugar beet production; (b) to assure growers and their field workers a fair share of the returns to the sugar industry; and (c) to prevent the employment of child labor in field work on sugar crops.

Special conditional payments are also authorized for crop deficiency or abandonment of planted acreage caused by natural disasters.

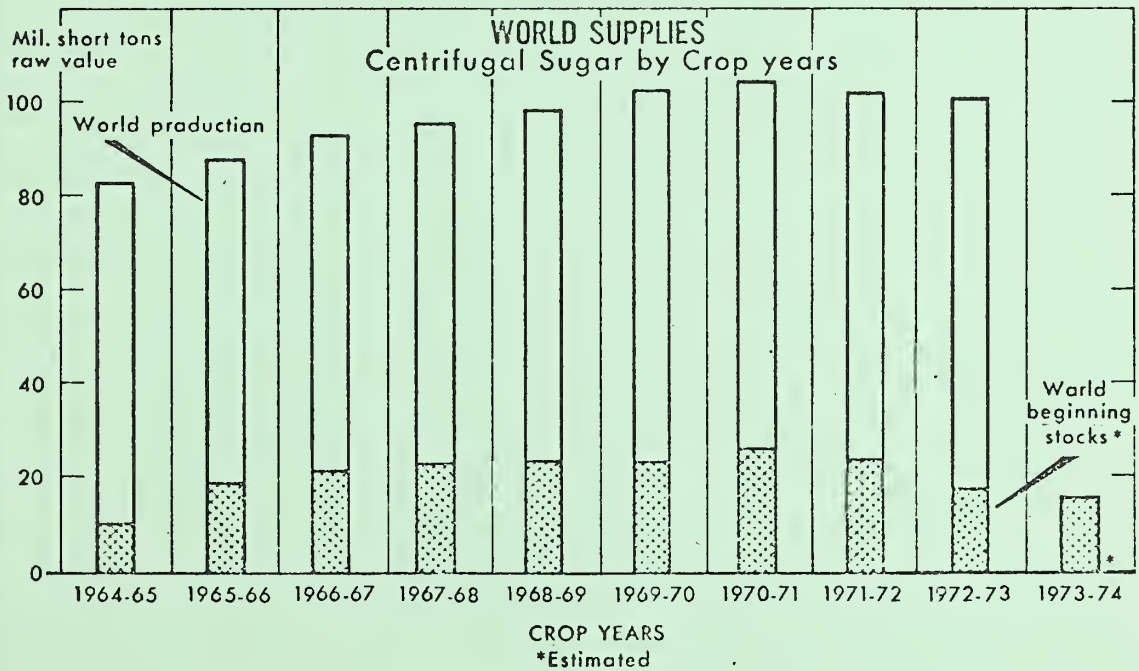
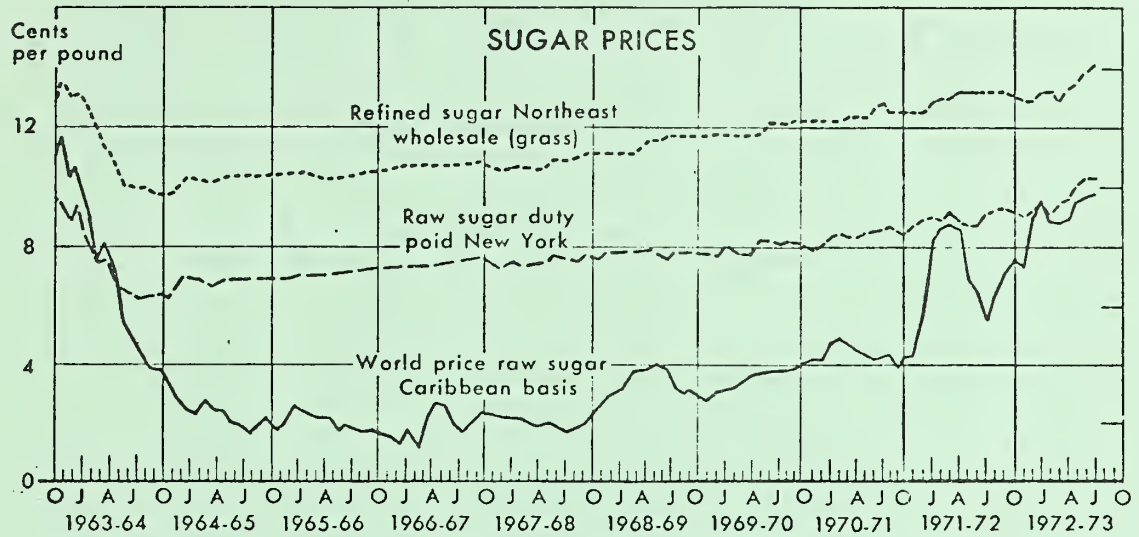
Obligations for the 1972 crop, totaling an estimated \$90,402,311, are shown below:

<u>State</u>	<u>Obligations</u>
<u>Continental beet area:</u>	
Arizona	\$525,000
California	15,790,810
Colorado	5,923,250
Idaho	7,757,922
Iowa	60,908
Kansas	1,328,543
Michigan	3,393,822
Minnesota	3,451,435
Montana	1,881,184
Nebraska	3,784,638
New Mexico	27,949
North Dakota	2,273,644
Ohio	1,405,424
Oregon	1,152,301
Texas	978,513
Utah	943,278
Washington	4,986,643
Wyoming	<u>2,584,736</u>
Sub-total	\$58,250,000
<u>Continental cane area:</u>	
Florida	8,797,963
Louisiana	<u>9,647,229</u>
Sub-total	18,445,192
<u>Offshore cane area:</u>	
Hawaii	9,667,303
Puerto Rico	<u>4,039,816</u>
Sub-total	<u>13,707,119</u>
Total	90,402,311

Domestic Sugar Prices. An important purpose of the law is to stabilize U. S. sugar prices. The law was first enacted following a history of wildly fluctuating and disastrously low prices in the United States. The charts on the following page shows that the Act has been effective in stabilizing U. S. prices. During the periods of tight supplies and soaring prices in the world market (1963 and 1972) United States prices did not rise sharply until after world prices skyrocketed. Then they were maintained at levels below world prices. They returned to more normal levels, while world prices declined drastically. For example, the monthly spot prices of raw sugar, duty paid and delivered at New York averaged 7.90, 8.26 and 8.79 cents per pound, respectively, during fiscal years 1970, 1971, and 1972. For the same years, world prices, f.o.b. Caribbean Areas, averaged 3.34, 4.28, and 6.12 cents per pound.

As a result of continued short supplies of sugar in the world, the spot price for world raw sugar on January 8, 1974, was 13.00 cents per pound and the U. S. price was 11.63 cents. On a comparable basis the U. S. price for sugar, including freight and duty, was about 3.37 cents per pound less than the world price.

WORLD SUGAR SUPPLIES AND PRICES



During 1963, the world price reached a high of 12.60 cents while the U. S. price reached a peak of 13.20 cents per pound. In 1973 the world and domestic price reached a high of 14.00 and 11.65 cents per pound respectively.

Fair Wage and Price Determinations. The Secretary, as authorized under the Act, determines fair and reasonable minimum wage rates for fieldworkers, and fair prices for sugarcane and sugarbeets. These determinations are issued after investigation, notice, and public hearing.

Studies, Surveys and Reports. Special cost studies and surveys are made in order to develop basic data for use in making wage and price determinations, as well as for other program operations under the Sugar Act.

A formal report was issued in February 1973 on the field cost survey of the Louisiana sugarcane and raw sugar processing operations for the 1969, 1970 and 1971 crops.

Field cost surveys covering the operations of 320 sugarbeet producers for the 1972 crop and all 54 operating beet sugar factories for the 1970-1972 crops was conducted during calendar year 1973. Summarization of the data collected is in process. A formal cost study report is expected to be issued in mid-1974.

International Sugar Agreement. The broad purpose of the International Sugar Agreement is to achieve and maintain a balance between supply and demand in the world sugar market at prices reasonable both to producers and consumers. The provisions of the Agreement apply to sugar exported to the so-called world free market, that is, to sugar exports that do not have the benefit of protection or favored markets.

The United States under the Sugar Act reserves a portion of its market for foreign countries, and provides access for sugar imports for 32 countries at prices which, after payment of the duty, are the same as prices received by domestic producers. The United States is not a member of this International Sugar Organization but maintains liaison with that organization and supplies sugar statistics to the organization on a monthly basis.

The International Sugar Agreement expired at the end of 1973, but the statistical arm of the organization will be continued.

TAX COLLECTIONS AND OBLIGATIONS

TABLE I

Fiscal Year	Sugar Tax Collections				Total Sugar Program Obligations <u>4/</u>
	Excise Tax <u>1/</u>	Import Compensating Tax <u>2/</u>	Sugar Import Fee <u>3/</u>	Total	
1938-1947	\$618,711,749	\$41,097,312		\$659,809,061	\$481,880,677
1948-1957	776,786,154	42,102,459		818,888,613	631,470,891
1958-1967	950,157,000	21,195,698	\$41,278,409	1,012,631,107	803,792,598
1968	102,270,000	306,590		102,576,590	81,909,000
1969	108,191,000	203,600		108,394,600	91,286,000
1970	113,309,000	180,000		113,489,000	95,084,000
1971	113,556,000	140,000		113,696,000	85,465,000
1972	115,752,000	152,800		115,904,800	88,046,000
1973	113,616,000	189,400		113,805,400	86,779,000
Subtotal	3,012,348,903	105,567,859	41,278,409	3,159,195,171	2,445,713,166
1974 (Est.)	114,500,000	125,000		114,625,000	90,965,000
1975 (Est.)	115,500,000	120,000		115,620,000	92,811,000
Total	3,242,348,903	105,812,859	41,278,409	3,389,440,171	2,629,489,166

Tax collections exceed total obligations in the amount of \$713,482,000 for fiscal years 1938 through 1973.

- 1/ 50¢ per 100 lbs., raw value, on all beet or cane sugar manufactured in the Continental U. S. for human consumption.
- 2/ 50¢ per 100 lbs., raw value, on all foreign direct-consumption sugar imported into Continental U. S.
- 3/ Applicable to imports of all foreign sugar (except Philippines' basic quota) --variable in size since it was dependent on price relationship between domestic and world sugar prices. Statutory authority for the sugar import fee ended December 31, 1964.
- 4/ Includes operating expenses.

TABLE II

SUGAR REQUIREMENTS AND QUOTAS - CALENDAR YEARS 1972 and 1973

Production Area	1972 Quotas (Final)	1973 Quotas
	Short tons, raw value	
Continental beet sugar	3,450,000	3,500,000
Continental cane sugar (Louisiana and Florida)	1,643,000	1,643,000
Texas cane sugar	- -	5,000
Hawaii	1,114,638	1,143,000
Puerto Rico	151,000 <u>1/</u>	90,000 <u>1/</u>
Philippines	1,431,761	1,462,663
Other foreign countries	4,009,601	3,956,337
Total requirements	11,800,000	11,800,000

- 1/ Adjusted for deficits. Unadjusted quotas for Puerto Rico for both calendar years 1972 and 1973 were 855,000 short tons, raw value.

NOTE: Despite deficits declared, domestic areas retain right to market the amounts of their unadjusted quotas.

(c) Cropland Adjustment Program

Appropriation Act, 1974	\$51,900,000
Budget Estimate, 1975	48,601,000
Decrease in Appropriation	-3,299,000

Adjustments in 1974:

Appropriation Act, 1974	\$51,900,000
Proposed transfer for civilian pay raises	-1,599,000
Adjusted base for 1975	50,301,000
Budget Estimate, 1975	48,601,000
Decrease from adjusted 1974	-1,700,000

SUMMARY OF DECREASES

(On basis of adjusted appropriation)

	<u>1974</u>	<u>Decrease</u>	<u>1975</u> <u>Estimate</u>
Adjustment payments under 1966 program	\$21,316,000	-\$700,000	\$20,616,000
Adjustment payments under 1967 program	28,985,000	-1,000,000	27,985,000
Total	<u>50,301,000</u>	<u>-1,700,000</u>	<u>48,601,000</u>

PROJECT STATEMENT

(On basis of adjusted appropriation)

<u>Project</u>	<u>1973</u>	<u>1974</u> <u>(estimated)</u>	<u>Decrease</u>	<u>1975</u> <u>(estimated)</u>
Adjustment payments	\$51,650,000	\$50,301,000	-\$1,700,000	\$48,601,000
Total available or estimate	51,650,000	50,301,000	-1,700,000	48,601,000
Transfer to other accounts for civilian pay raises	850,000	1,599,000		
Total, appropriation	<u>52,500,000</u>	<u>51,900,000</u>		

EXPLANATION OF PROGRAM

The Cropland Adjustment Program was authorized under Title VI of the Food and Agriculture Act of 1965, which expired December 31, 1970. This program assisted farmers, through long-term agreements, to divert cropland from the production of certain crops to more needed uses that promote the development and conservation of our soil, water, forest, wildlife, and recreational resources.

In return for diverting the cropland to approved public benefit uses, producers receive adjustment payments. They are also eligible to receive cost-sharing assistance for establishing approved land treatment measures. Additional incentive payments are made to producers who entered into agreements to permit free public access to land designated under the agreement, for hunting, trapping, fishing and hiking.

Under the Greenspan provisions of the program, funds were made available to Federal, State, or local governmental agencies for use in acquiring cropland for permanent conversion to specified public uses.

Agreements were for periods of not less than 5 years nor more than 10 years, and were approved only for 1966 and 1967. The last of the agreements will expire in fiscal year 1977.

JUSTIFICATION OF INCREASES AND DECREASES

The decrease of \$1,700,000 is due to fewer payments under the 1966 and 1967 programs as a result of termination and expiration of agreements on approximately 200,000 acres.

Payment requirements are based on an analysis of the agreements entered into under the 1966 and 1967 programs as of July, 1973 and reflect only the amounts required to meet obligations under existing agreements.

CROPLAND ADJUSTMENT PROGRAM FINANCIAL REQUIREMENTS
(In thousands)

Program	Fiscal Year 1973	Fiscal Year 1974	Fiscal Year 1975
1966 Program Payments:			
Cropland Adjustment	\$21,265	\$20,645	\$20,120
Public Access	714	670	495
Greenspan Annual Payments	1	1	1
1967 Program Payments:			
Cropland Adjustment	28,699	28,066	27,316
Public Access	933	880	630
Greenspan Annual Payments	38	39	39
Total Program Payments	51,650	50,301	48,601
Total, Appropriation or Estimate	51,650	50,301	48,601

STATUS OF PROGRAM

Nature of Program. The Cropland Adjustment Program was authorized by the Food and Agriculture Act of 1965. It shifted cropland producing crops in actual or potential surplus into long-term (5 to 10 years) conservation uses, and to serve farm and nonfarm people better through (a) helping State and local government agencies purchase cropland under the Greenspan provisions; (b) making available CAP acres for free public access for hunting, trapping, fishing, and hiking; and (c) more effective stabilization of watershed lands. Agreements with producers were entered into during calendar years 1966 and 1967. Programs for entering into new agreements were not authorized after calendar year 1967. The authorization for the program expired December 31, 1970.

Adjustment payments are made to producers for diverting designated crops. Accepted agreements are paid at a rate determined by the crop diverted and the productivity of that crop on the farm. Producers are eligible to receive cost-sharing assistance for establishing approved measures to conserve soil, water, or forest resources; establish, protect or conserve open spaces, natural beauty, wildlife and recreational resources; and prevent air or water pollution.

Greenspan. Under the program's Greenspan provision, State and local governments were helped to acquire cropland to be permanently converted to public benefit uses, primarily for open spaces and recreational facilities. The CAP assistance for land-purchase agreements is comparable to what farmers would receive under the program over a 1-year period for diverting land out of certain crops and into conserving uses, but in no case could such aid exceed 50 percent of the cost of the cropland. Cost-shares may be paid for designated uses, consistent with the conditions and costs under agreements entered into with producers.

Public Access. Under the public access provision of the program, landowners receive additional compensation for land diverted from crop production by permitting free public access for hunting, trapping, fishing, and hiking. The added payment does not exceed \$3 per acre.

Optional Termination or Modification of CAP and CCP Agreements. In mid-summer 1973, it was determined, in light of current demands for agricultural production, that it would be in the public interest to permit termination or modification of CAP and CCP agreements in advance of the end of the original agreement period. Under this option, the agreement period ends December 31, 1973. Producer requests for termination had to be filed prior to destruction of cover for preparing for a 1974 crop. Reports received to date indicate minimal reductions in payment requirements for fiscal year 1975.

Statistical Data. Approximately 100,000 acres were released from agreements during fiscal year 1973. Additional acres are to be released yearly through fiscal year 1977, the final expiration date of all agreements under this program. The following tables reflect current information regarding, (a) the number of agreements, designated acres, and obligations by States; and (b) a projection of costs for the life of the agreements.

Cropland Adjustment Program

Agreements in Effect in Fiscal Year 1973

<u>State</u>	<u>Number</u>	<u>Acres</u>	<u>Obligations</u>
Alabama	1,453	85,555	\$2,380,509
Arizona	19	3,949	122,399
Arkansas	408	12,887	257,451
California	51	8,708	127,820
Colorado	399	84,798	855,868
Connecticut	86	1,130	69,104
Delaware	24	1,258	44,490
Florida	404	39,519	976,463
Georgia	2,243	133,512	3,803,068
Idaho	32	6,920	59,447
Illinois	475	32,759	983,581
Indiana	633	31,491	1,095,921
Iowa	413	35,273	1,135,763
Kansas	706	74,260	1,091,357
Kentucky	1,309	46,832	1,414,496
Louisiana	83	3,361	99,507
Maine	149	5,365	44,412
Maryland	73	3,226	88,466
Massachusetts	37	312	39,529
Michigan	2,959	141,661	2,609,468
Minnesota	2,399	193,946	2,625,265
Mississippi	569	22,269	575,381
Missouri	1,276	97,590	2,521,202
Montana	132	25,161	223,198
Nebraska	979	114,970	2,272,350
New Hampshire	3	38	1,513
New Jersey	91	4,506	134,991
New Mexico	989	253,796	2,932,050
New York	1,225	51,767	883,852
North Carolina	1,378	35,687	1,235,571
North Dakota	1,001	192,989	1,925,520
Ohio	1,517	59,436	1,634,288
Oklahoma	889	71,571	874,204
Oregon	41	3,999	45,475
Pennsylvania	1,317	48,014	1,003,490
Rhode Island	1	9	357
South Carolina	1,954	80,800	1,924,892
South Dakota	833	128,864	1,667,954
Tennessee	1,384	46,224	1,349,861
Texas	3,378	428,925	6,514,698
Utah	40	6,921	51,922
Vermont	44	1,198	19,552
Virginia	680	15,137	522,431
Washington	50	4,971	69,531
West Virginia	131	1,448	36,498
Wisconsin	3,088	138,690	3,247,181
Wyoming	38	4,322	57,654
Total	<u>37,383</u>	<u>2,786,024</u>	<u>51,650,000</u>

Cropland Adjustment Program

<u>Fiscal Year</u>	<u>Acres</u> (Thousands)	<u>Total Obligations</u> (Thousands)
1966	- -	\$5,592
1967	2,010	53,575
1968	2,003	83,744
1969	4,013	79,529
1970	3,893	77,372
1971	3,851	75,735
1972	3,327	66,783
1973	2,786	51,650
1974 est.	2,684	50,301
1975 est.	2,590	48,601
1976 est.	2,545	48,300
1977 est.	1,300	<u>23,400</u>
Total		<u><u>664,582</u></u>

(d) Dairy and Beekeeper Indemnity Programs

Appropriation Act, 1974	- -
Budget Estimate, 1975	\$1,850,000
Increase in Appropriation	+1,850,000

SUMMARY OF INCREASES

	<u>1974</u>	<u>Increase</u>	<u>1975</u> <u>Estimate</u>
Indemnity payments to dairy farmers	- -	+\$250,000	\$250,000
Indemnity payments to manufacturers of dairy products	- -	+100,000	100,000
Indemnity payments to beekeepers	- -	+1,500,000	1,500,000
Total available	- -	+1,850,000	1,850,000

PROJECT STATEMENT

(On basis of appropriation)

Project	1973	1974 (estimated)	Increase	1975 (estimated)
1. Indemnity payments to dairy farmers	- -	- -	+\$250,000	\$250,000
2. Indemnity payments to manu- facturers of dairy prod- ucts	- -	- -	+100,000	100,000
3. Indemnity payments to bee- keepers	3,500,000	- -	+1,500,000	1,500,000
Total, appropriation	3,500,000	- -	+1,850,000 (1)	1,850,000

PROJECT STATEMENT

(On basis of available funds)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Indemnity payments to dairy farmers	\$33,309	\$175,000	+\$75,000	\$250,000
2. Indemnity payments to manu- facturers of dairy prod.	94,666	100,000	- -	100,000
3. Indemnity payments to bee- keepers	6,207,676	3,183,745	-1,683,745	1,500,000
Recovery of prior obligations	-3,665	- -	- -	- -
Unobligated balance available start of year	-6,294,396	-3,458,745	+3,458,745	- -
Unobligated balance available end of year	3,458,745	- -	- -	- -
Unobligated balance lapsing ..	3,665	- -	- -	- -
Total appropriation or estimate	3,500,000	- -	+1,850,000	1,850,000

EXPLANATION OF PROGRAM

The appropriation "Dairy and Beekeeper Indemnity Programs" of the Agricultural Stabilization and Conservation Service funds indemnity payments to farmers, manufacturers of dairy products, and beekeepers. Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at fair market value, to farmers who have been directed since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government at the time of such use. Original authority granted under this Section terminated January 31, 1965, but the

termination date has been extended seven times. The Agricultural Act of 1970, Public Law 91-524, authorized indemnity payments to manufacturers of dairy products whose products have been removed from the market because they contained residues of chemicals registered and approved for use by the Federal Government. The Agriculture and Consumer Protection Act of 1973, Public Law 93-86, extended the authority for dairy indemnity payments to June 30, 1977. That Act also authorized indemnity payments on dairy cows producing milk contaminated with pesticide residues.

The Agricultural Act of 1970 also authorized payments to beekeepers who through no fault of their own suffered losses of honeybees after January 1, 1967, as a result of the utilization of economic poisons near or adjacent to the property on which the beehives of such beekeepers were located. The authority was extended to December 31, 1977, by the Agriculture and Consumer Protection Act of 1973.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$1,850,000 consisting of:

Indemnity payments to dairy farmers	+\$250,000
Indemnity payments to manufacturers of dairy products	+100,000
Indemnity payments to beekeepers	+1,500,000

Need for Increase:

Dairy and dairy products. Improved analytical methods for detecting trace amounts of insecticides in milk and milk products have resulted in increased incidents in the banning of milk and milk products from the market.

Dairy Cows. In some instances it may be more economical to make indemnity payments on dairy cows which are producing contaminated milk than it is to continue making indemnity payments on the milk produced by such cows. The determination as to whether payments should be made on the milk or the dairy cows will be based on the level of pesticide residue in the milk produced and the likelihood of whether such residue can be eliminated and the milk from such animal be reinstated to the market. It is not anticipated that meat from such animals can be used for human or pet food. Therefore, it will likely be necessary to destroy any such animals and any salvage value received will be very slight.

Bees. Large scale killing of bees and other pollinators has resulted from the widespread spraying of insecticides for the control of destructive insects. Many of our fruit, nut, vegetable, and seed crops require pollination by insects. Since the honeybee is the only insect over which we have any measurable control, the production of such crops is dependent upon the availability of honeybees as pollinators. In recognition of the need for maintaining strong dairy and beekeeping industries the Congress has provided authority for the indemnification of dairy farmers, manufacturers of dairy products, and beekeepers to offset their financial losses as a result of circumstances beyond their control.

STATUS OF PROGRAM

Objective. To indemnify (a) dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets because such milk or milk products contained certain chemical residues, (b) dairy farmers for cows producing milk contaminated with certain chemical residues, and (c) beekeepers who through no fault of their own have suffered losses of honeybees as a result of the utilization of economic poisons near or adjacent to the property on which beehives were located. The authority for payments under these objectives was extended, most recently, by the Agriculture and Consumer Protection Act of 1973.

Program Results.

Dairy Farmers. Approved claims to dairy farmers during the original period of this program (January 1, 1964 through June 30, 1965) totaled \$349,933. During the period fiscal year 1966 through 1973, approved claims totaled about \$1.4 million. During fiscal year 1973, about \$36 thousand was approved for payment to five farmers in five States.

Dairy Manufacturers. The provision for making indemnity payments to manufacturers of dairy products became effective on November 30, 1970. Since that time, two manufacturers have been indemnified because their products were removed from the market, and another manufacturer has filed a claim in the amount of \$32,000.

Beekeepers. The beekeeper indemnity payment program regulations and procedures were issued to the county offices in July 1971. As of December 31, 1973, there were 5,244 claims approved for payment in the amount of \$10,993,994. Included in this amount was \$1,700,205 on losses that occurred in 1972 and \$209,175 for losses during 1973. The balance is for losses during 1967-1971 averaging about \$1.8 million a year.

Current Outlook.

Dairy Farmers and Manufacturers. Although we have no way to accurately estimate participation in the program, indications are that, due to improved methods for detecting traces of insecticides an increase in the number of claims may result. It is estimated that about \$275,000 will be required in fiscal year 1974, and about \$350,000 in fiscal year 1975.

Beekeepers. A number of 1972 claims have not been settled, and beekeepers have until April 1, 1974, to file their claims for losses during 1973. Claims received through December 31, 1973 total about \$1.7 million for 1972 and about \$200,000 for 1973. It is expected that the majority of the claims for 1973 will be filed during the period January 1 through March 31, 1974.

Outlays. The following table shows indemnity payments during fiscal year 1973:

Dairy and Beekeeper Indemnity Programs

Payments - Fiscal Year 1973

<u>State</u>	<u>Dairy Farmers</u>	<u>Dairy Manu- facturers</u>	<u>Beekeepers</u>	<u>Total</u>
Alabama	- -		\$153,505	\$153,505
Arizona	- -		827,355	827,355
Arkansas	- -		200,985	200,985
California	- -		1,371,688	1,371,688
Colorado	- -		15,207	15,207
Connecticut	- -		1,998	1,998
Florida	- -		82,760	82,760
Georgia	- -		189,489	189,489
Idaho	- -		327,695	327,695
Illinois	- -		4,980	4,980
Indiana	- -		10,535	10,535
Iowa	5,823		580	6,403
Kansas	2,772		1,250	4,022
Kentucky	- -		5,116	5,116
Louisiana	- -		159,024	159,024
Maine	- -		1,335	1,335
Maryland	- -		1,040	1,040
Massachusetts	4,317		26,110	30,427
Michigan	- -		162,382	162,382
Minnesota	- -		40,874	40,874
Mississippi	- -		561,157	561,157
Missouri	9,460		1,970	11,430
Montana	- -		1,960	1,960
Nebraska	- -		226,015	226,015
Nevada	- -		575	575
New Hampshire	- -		440	440
New Jersey	- -		3,135	3,135
New Mexico	- -		44,526	44,526
New York	- -		2,125	2,125
North Carolina	- -		14,955	14,955
Ohio	- -		2,225	2,225
Oklahoma	- -		7,290	7,290
Oregon	- -		65,111	65,111
Pennsylvania	- -		5,030	5,030
Rhode Island	- -		140	140
South Carolina	- -		11,757	11,757
South Dakota	- -		146,460	146,460
Tennessee	- -		1,220	1,220
Texas	- -		310,835	310,835
Utah	- -		16,926	16,926
Vermont	- -		5,865	5,865
Virginia	- -		1,420	1,420
Washington	- -		1,485,060	1,485,060
Wisconsin	14,181	94,666	113,939	222,786
Wyoming	- -		15,910	15,910
Puerto Rico	- -		1,000	1,000
Total	36,553	94,666	6,630,954	6,762,173

Appropriation History:

Fiscal Year	Amount	Payments			
		Dairy Farmers	Manuf. of Dairy Prod.	Beekeepers	Total
1965	\$8,800,000 <u>1/</u>	\$349,933	- -	- -	\$349,933
1966	300,000	150,611	- -	- -	150,611
1967	400,000	279,533	- -	- -	279,533
1968	300,000	194,727	- -	- -	194,727
1969	300,000	104,416	- -	- -	104,416
1970	200,000	184,410	- -	- -	184,410
1971	4,050,000	71,474	- -	- -	71,474
1972	7,500,000	46,082	15,500	2,911,828	2,973,410
1973	3,500,000	36,553	94,666	6,630,954	6,762,173
1974 (Est.)	- -	175,000	100,000	3,500,000	3,775,000
1975 (Est.)	1,850,000	250,000	100,000	2,500,000	2,850,000
Total	XXXXX	1,842,739	310,166	15,542,782	17,695,687

1/ Includes \$7,800,000 returned to Office of Economic Opportunity

(e) RURAL ENVIRONMENTAL PROGRAM

Appropriation Act, 1974	\$ - -
Budget Estimate, 1975	<u>118,800,000</u>
Increase in Appropriation	<u>+118,000,000</u>

SUMMARY OF INCREASE
(On basis of appropriation)

	<u>1974</u>	<u>Increase</u>	<u>1975</u> <u>Estimate</u>
Cost-sharing assistance to farmers	- -	<u>+\$118,800,000</u>	<u>\$118,800,000</u>
Total available	<u>- -</u>	<u>+118,800,000</u>	<u>118,800,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1973	1974 (Estimated)	Increase or Decrease	1975 (Estimated)
1. Soil and Water Conservation:				
(a) Annual	- -	- -	+\$56,575,000	\$56,575,000
(b) Long-term	- -	- -	+26,325,000	26,325,000
2. Timber incentives	- -	- -	+25,000,000	25,000,000
3. Recreation and Wildlife	- -	- -	+900,000	900,000
4. Emergency Conservation	- -	- -	+10,000,000	10,000,000
Total, Appropriation	- -	- -	<u>+118,800,000</u>	<u>118,800,000</u>

PROJECT STATEMENT
(On basis of available funds)

Project	1973	1974 (Estimated)	Increase or Decrease	1975 (Estimated)
1. Soil and Water Conservation:				
(a) Annual	- -	- -	+\$70,577,000	\$70,577,000
(b) Long-term	- -	- -	+26,325,000	26,325,000
2. Timber incentives	- -	- -	+25,000,000	25,000,000
3. Recreation and Wildlife	- -	- -	+900,000	900,000
4. Emergency Conservation	- -	- -	+15,400,000	15,400,000
Unobligated balances transferred from other accounts	- -	- -	-19,402,000	-19,402,000
Total, Appropriation	- -	- -	<u>(1) +118,800,000</u>	<u>118,800,000</u>

EXPLANATION OF PROGRAM

A new Rural Environmental Program is proposed for fiscal year 1975 which will incorporate the previous separate appropriations for the Agricultural Conservation Program (REAP), Great Plains Conservation Program (GPCP), Water Bank Act Program (WB), and the Emergency Conservation Measures Program (ECM).

These activities are authorized in Sections 7 to 15, 16(a), 16(b), and 17 of the Soil Conservation and Domestic Allotment Act, as amended (16 U.S.C. 590g-590o, 590p(a), 590p(b), and 590q); the Water Bank Act (16 U.S.C. 1301-1311); and Sections 1001-1010 of the Agriculture and Consumer Protection Act of 1973 (87 Stat. 241-246).

Soil and water conservation practice objectives will encourage farmers and ranchers to carry out whole-farm, long-term conservation plans that would emphasize conservation benefits of national concern, and achieve desirable land-use adjustments.

Whole-farm conservation plans, developed with SCS assistance and approved by Soil and Water Conservation Districts, would be prerequisite to cost-sharing on any soil and water conservation practices. This requirement would not necessarily apply to cost-sharing for timber production, recreation or wildlife practices, or to cost-share funds set aside specifically for annual practices. However, any of these annual practices, whether specific to the soil and water conservation objective or not, could be included within whole-farm soil and water conservation plans.

It is recognized that whole-farm conservation plans could contain many soil and water practices that are profitable for farmers to carry out without cost-sharing. However, the cost-share contracts under this part of the new program would not include cost-sharing commitments on such practices unless the preferred cost-sharing practices do not provide sufficient incentives for landowners to cooperate in the program. This could happen because significant deferred-income costs would be incurred by landowners in establishing permanent vegetative cover. Moreover, some of the profitable practices might have high off-site benefits, and would merit cost-sharing.

The emphasis on long-term cost-sharing in implementing whole-farm plans, approved by Soil and Water Conservation Districts, would provide incentives for increased participation in the SCS technical assistance program. Many farm conservation plans would be changed and up-dated to facilitate this participation, and other farmers and ranchers heretofore non-participants in the technical assistance program would be expected to request SCS planning assistance.

Timber incentives will be given an increased priority, with the primary objective of cost-sharing to increase the supply of sawtimber on non-industrial private lands. An acceleration of timber production is necessary to dampen the steadily rising prices of lumber and plywood. Additionally, forests are among the best vegetative covers for preventing soil erosion and for enhancing recreation opportunities and wildlife habitats.

The primary objective of cost-sharing for recreation and wildlife would be to preserve wetlands for increasing migratory and other water fowl populations. The Water Bank Act program would be included in this objective. All contracts would be multi-year.

Not less than \$10 million of the cost-share funds available each year would be reserved for use in designated emergency areas to finance restoration of damage to agricultural lands caused by natural disaster. Terms and conditions would be similar to those presently applied in the Emergency Conservation Measures Program.

Cost-share contracting in the Great Plains Program counties will be continued in 1975 under the Rural Environmental Program at not less than the 1974 level of \$12.3 million.

Balances due on prior year contracts or agreements for the Great Plains Program, Water Bank Program, and Emergency Conservation Measures will be transferred to the consolidated program in fiscal year 1975. Payments will be made as they become due from the balances transferred to this new appropriation.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$118,800,000 for cost-sharing practices approved for soil and water conservation; timber incentives; recreation and wildlife; and emergency conservation measures.

The consolidation of funds and authorities for several cost-sharing programs carried out under previous separate appropriations will (1) provide a more cost-effective alternative at a lower cost, (2) permit greater flexibility in administering the program and (3) facilitate a systematic approach to evaluating the resources required.

Technical assistance for soil and water conservation practices previously financed by transfer from the ACP Emergency Conservation Measures, and Water Bank appropriations to the Soil Conservation Service would be funded as direct appropriation to "Conservation Operations" in 1975.

Long-Term Commitment

The Conference Report on the 1974 Appropriation Act specified that only the first year costs of long-term contracts under ACP should be obligated against the 1974 appropriation.

A portion of the soil and water, timber incentives and recreation and wildlife cost-share program in 1975 will be long-term agreements. In the 1975 Budget request again only the first year's cost of all long-term contracts is funded. This means that the funding for the balance of these long-term contracts will have to be provided in subsequent Appropriations Acts. The following table reflects the 1975 obligations under this program, including carry over funding, and further reflects the estimated balances of the commitment to be funded in further years. Although the estimate is based upon an estimated contract length of 4 or 5 years, the contract commitment will depend upon the length of actual contracts signed.

RURAL ENVIRONMENTAL PROGRAM Obligations (in thousands)

<u>Activity</u>	<u>Fiscal Year 1975</u>	<u>Balance of Commitments Required to be Appropriated for in Future Years</u>
<u>Soil and Water Conservation</u>		
Annual	\$70,577	- -
Long-term	26,325 <u>1/</u>	\$67,725
<u>Timber Incentives</u>		
Cost Sharing	23,700 <u>2/</u>	- -
Technical Assistance	1,300	- -
Recreation and Wildlife	900	8,100
Emergency Conservation	<u>15,400</u>	<u>- -</u>
Total obligations	<u>138,202</u> <u>3/</u>	<u>75,825</u>

- 1/ Includes \$11,250,000 required in 1975 for 1975 practices under long-term agreements approved as part of the 1974 ACP (REAP) program.
- 2/ Long-term agreements may be entered into based on the experiences with the 1974 program. Total obligations in 1975 and in future years for all timber incentives cost-share payments in each year will be limited to \$25,000,000.
- 3/ Of the amount available for obligation \$118,800,000 is new budget authority requested in this bill; \$12,171,000 is from unobligated balances from the Water Bank Act program; and \$7,231,000 is from unobligated balances from the Emergency Conservation Measures program.

(f) Agricultural Conservation Program (REAP)

	On Appropriation Basis	On Program Authorization Basis
Appropriation Act, 1974	\$15,000,000	\$160,000,000
Budget Estimate, 1975	90,000,000	-0-
Increase or Decrease	<u>+75,000,000</u>	<u>-160,000,000</u>
Adjustment in 1974:		
Appropriation Act, 1974	15,000,000	160,000,000
Transfer from the Environmental Protection Agency 1/	<u>+15,000,000</u>	<u>+15,000,000</u>
Adjusted base for 1975	30,000,000	175,000,000
Budget Estimate, 1975	90,000,000	-0-
Increase or decrease over adjusted 1975	<u>+60,000,000</u>	<u>-175,000,000</u>

1/ The amount provided by transfer from Environmental Protection Agency, \$15 million, is both an appropriation and a program authorization in fiscal year 1974.

Note: The Rural Environmental Assistance Program is operated on a program or crop year basis. Cost-sharing is earned by farmers upon completion of approved measures. Funds for cash payments earned under the 1973 program were made available in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1974. That Act also authorized the formulation and administration of the 1974 program. The appropriation request of \$90,000,000 for 1975 is required for payment of cost-shares approved through December 31, 1974 under the 1974 program.

The Appropriation Act also authorized \$15,000,000 of appropriated funds to be transferred from EPA and merged with REAP funds. In fiscal year 1974 this amount has been placed in reserve as well as \$70 million of the program authorization for ACP.

PROJECT STATEMENT

Project	1973	1974 (Estimated)	Increase or Decrease	1975 (Estimated)
Cost-sharing assistance to farmers	\$198,100,000	\$27,567,000	+\$62,433,000	\$90,000,000
Adjustments:				
Difference in amount available for purchase of conservation materials and service from subsequent fiscal years appropriation for current program and amount available for such purposes from current year.....	-2,600,000	+27,433,000	-52,433,000	-25,000,000
Received by loan from CCC..	+35,000,000	-25,000,000	+25,000,000	- -
Payment of loan	+35,000,000	-	+25,000,000	+25,000,000
Total available or estimate	195,500,000	30,000,000	+60,000,000	90,000,000

EXPLANATION OF PROGRAM

The Agricultural Conservation Program, (REAP), is authorized by the Soil Conservation and Domestic Allotment Act, as amended. Funds for the program are authorized annually by the Congress.

Funds are allocated to State Agricultural Stabilization and Conservation (ASC) Committees on the basis of their respective conservation needs as determined by the Secretary of Agriculture. The State ASC Committees, in turn, allocate the funds to the county committees.

The State program is developed jointly by ASC Committees, the Soil Conservation Service and the Forest Service with the counsel of the Governor of the State, the president of the land-grant college, the State director of the Farmers Home Administration, and the heads of the State soil conservation organizations, and the State agricultural extension service. Through REAP, the Federal Government shares with farmers the cost (usually 50-50 basis) of carrying out needed conservation protection measures on their farms. Practices emphasized are those which help to provide long-range preservation of the environment and return greater benefits to the public. The REAP has a major role in meeting the Department's overall resources and governmental responsibilities. It provides a sound basis for obtaining increased performance of soil and water conserving practices which make a major contribution to the preservation and enhancement of the environment and provide substantial public benefits at the lowest possible cost.

Cost-sharing assistance is made available to farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil-and water-conserving practices on their farms. Federal assistance represents only a part of the cost of carrying out the practice. The farmer bears the balance of the cost and in addition, furnishes the labor and management necessary to carry out the practice.

JUSTIFICATION OF INCREASE

(1) An increase of \$60,000,000 for cost-sharing assistance to farmers. The appropriation request of \$90,000,000 for 1975 is required for payment of cost-shares approved under the 1974 program. The 1975 program authorization is shown and justified under the "Rural Environmental Program" heading.

STATUS OF PROGRAM

Program Purposes. The general policy and the purposes of the Rural Environmental Assistance Program are stated in sections 7-15, 16(a), and 17 of the Soil Conservation and Domestic Allotment Act, as amended. Natural resources conservation and enhancement, with assurance of sufficient stable supplies of foods and fibers, are primary among these stated purposes. The Congress subsequently specified that the program should be restricted to one of soil-building and soil- and water-conserving practices. Recently new legislation broadened the program's latitude by making specific provision for the inclusion of related wildlife conserving practices and of agriculture-related pollution prevention and abatement practices, with other emphasis through legislative history on consideration for environmental and ecological values and enduring types of resources-enhancing measures.

Program Accomplishments. To accomplish the program's purposes cost-sharing assistance is authorized in the 50 States, Puerto Rico, and the Virgin Islands. About three-fourths of a million farmers, ranchers, and woodland owners a year (more than two million different ones in 5 years) have cooperated in recent years by performing approved soil, water, woodland, and wildlife conservation practices and water, air, and land pollution prevention and abatement practices to advance their individual conservation farm plans or, in concert, their community conservation, protection, and development plans.

The following accomplishments under the 1972 program illustrate the manner in which resources have been applied recently to further the goals for which the program funds were approved.

On the 41 million practice acres (to which these measures were applied or which they directly served) on participating farms in 1972, 96 percent of the funds went for enduring practices, as compared with 95 percent for 1971 and 92 percent for 1970.

The extent to which the following practices were performed in 1972 and in the period 1936-1972 are shown below:

Practice	Unit	Extent under 1972 program	Total accomplishments 1936-1972
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses	1,000 structures	48	2,249
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution	1,000 acres	915	33,316
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution	1,000 acres	178	114,229
Competitive shrubs controlled on range or pasture to permit growth of adequate cover for erosion control and to conserve water ..	1,000 acres	563	63,260
Green and shrubs planted for forestry purposes, erosion control, or environmental enhancement	1,000 acres	227	5,485
Forest tree stands improved for forestry purposes or environmental enhancement	1,000 acres	206	4,564

Practice	Unit	Extent under 1972 program	Total accomplishments 1936-1972
Wildlife conservation	1,000 acres served	907	13,592 <u>1/</u>
Animal waste and soil waste pollution-abatement structures (lagoons, storage, diversion, and other)	Number	5,225	10,803 <u>2/</u>
Sediment pollution-abatement structures or runoff control measures	1,000 acres served	2,573	2,961 <u>2/</u>
Other pollution-abatement practices	1,000 acres served	230	367 <u>2/</u>

1/ 1962-1972, inclusive, with certain data estimated.

2/ 1970, 1971 and 1972 only.

The Program for 1973. Again for 1973, county and State committees and participating agencies reviewed the program to update and strengthen it further for dealing with recognized environmental and community problems. As a result of this 1973 field and national review, some additional practices serving comparable purposes were combined (as several had been in 1971 and 1972), and more were removed as national practices--with these net results in the number of national practices included for these respective program years: 1970, 55 practices; 1971, 48 practices; 1972, 30 practices; and 1973, 28 practices. State and county practices could be chosen from these. There could be included in a county program (1) on the basis of special justification and approval, any other conservation practice consistent with the goal and objectives of the program which is needed to meet particular conservation problems that exist on a substantial number of farms in the county, and (2) on county committee request, any practice not otherwise available which was used in the county in the 1970 program.

As of December 22, 1972, additional commitments to farmers and ranchers under this program were discontinued for both the 1972 and 1973 programs.

The Program for 1974. The 1974 program will continue the reduction or combination of the number of practices available for cost-sharing assistance. This should strengthen the remaining practices as they all serve high priority and recognized environmental problems. Annual cost-sharing agreements will be used as well as phasing-in of the Title X authority in the Agriculture and Consumer Protection Act of 1973 and the Soil Conservation and Domestic Allotment Act, as amended, which authorizes the Secretary to enter into long-term cost-share agreements with landowners to establish conservation practices. Forestry incentive practices authorized by Title X will also be emphasized in designated States and counties. These various facets of the program will help landowners establish permanent type conservation practices while farmers are being called on for all-out production to meet consumer needs.

(g) Water Bank Act Program

Appropriation Act, 1974	\$10,000,000
Budget Estimate, 1975	- -
Decrease in Appropriation	-10,000,000

SUMMARY OF DECREASES

	<u>1974</u>	<u>Decrease</u>	<u>1975</u>
Annual payments to landowners and operators	\$9,000,000	-\$9,000,000	- -
Technical assistance (allocation to SCS)	<u>1,000,000</u>	<u>-1,000,000</u>	- -
Total available	<u>10,000,000</u>	<u>-10,000,000</u>	<u>- -</u>

NOTE: The payments portion of this program has been shifted from this account to the "Rural Environmental program" account. Technical assistance will be funded in the Soil Conservation Service "Conservation Operations" account.

PROJECT STATEMENT
(on the basis of appropriation)

Project	1973	1974 (Estimated)	Decrease	1975 (Estimated)
Annual payments to owners and operators	\$9,000,000	\$9,000,000	-\$9,000,000(1)	- -
Technical assistance (allocation to SCS)	1,000,000	1,000,000	-1,000,000(1)	- -
Total appropriation or estimate	10,000,000	10,000,000	-10,000,000	- -

PROJECT STATEMENT
(On the basis of available funds)

Project	1973	1974 (Estimated)	Increases or Decreases	1975 (Estimated)
Annual payments to landowners and operators	\$7,656,180	\$9,000,000	-\$9,000,000	- -
Technical assistance (allocation to SCS)	569,820	480,888	-480,888	- -
Receipts and reimbursements ..	-8,034	- -	- -	- -
Balance brought forward from prior years	-9,869,674	-11,651,708	-519,112	-\$12,170,820
Balance transferred to REP account	- -	- -	+12,170,820	12,170,820
Balance carried forward to next year	11,651,708	12,170,820	-12,170,820	- -
Total, appropriation or estimate	10,000,000	10,000,000	-10,000,000	- -

EXPLANATION OF PROGRAM

This program was authorized by the Water Bank Act, Public Law 91-559, approved December 19, 1970. Its purpose is to conserve water, preserve and improve migratory waterfowl habitat and other wildlife resources, and secure other environmental benefits through long-term land use agreements with landowners and operators in important migratory waterfowl nesting and breeding areas.

The Secretary enters into agreements with landowners and operators for the conservation of specified wetlands. The agreements are for ten years with provision for renewal for additional periods. During the period of the agreement, the landowner agrees not to drain, burn, fill or otherwise destroy the wetland character of such areas for agricultural purposes, as determined by the Secretary. The Secretary makes annual payments to the owner or operator at a rate to be determined.

STATUS OF PROGRAM

Objectives:

The Water Bank Program is carried out to meet the following objectives:

- preserve and improve habitat for important migratory waterfowl nesting and breeding areas and other wildlife resources.
- preserve, and improve the wetlands of the Nation, and to conserve surface waters.
- reduce runoff, soil and water erosion, and contribute to flood control.
- contribute to improved water quality and reduce stream sedimentation.
- contribute to improved subsurface moisture.
- reduce acres of new land coming into production and to retire lands now in agricultural production.
- enhance the natural beauty of the landscape.
- promote comprehensive and total water management planning.

Eligibility Provisions:

Under the Water Bank Program, eligible persons in selected areas having eligible wetlands in important migratory waterfowl nesting and breeding areas could enter into 10-year agreements, with provisions for renewal, and receive annual payments for the conservation of water and to meet other purposes of the Act.

Participation:

The initial sign-up period for the 1972 program was held from May 22 through June 9, 1973. The total requests to participate received were 6,108, total number of acres requested were 603,222, and the total annual amount requested was \$5,668,012. The actual participation in the 1972 program is shown in the table which follows:

(Table on succeeding page)

The Secretary carries out the program in harmony with wetlands programs administered by the Secretary of the Interior and utilizes the technical and related services of appropriate State, Federal, and private conservation agencies to assure proper coordination.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of \$9,000,000 under the project "Annual payments to owners and operators" and a decrease of \$1,000,000 under the project "Technical assistance (allocation to SCS)", the decision represents a shift of activities and not an elimination of the program. Annual payments will be provided for under the new Rural Environmental Program, and technical assistance would be funded under the "Conservation Operations appropriations of the Soil Conservation Service.

The following table presents data for the 1972 Water Bank Program.

State	Number of agreements	Designated acres	Annual pay- ment for designated acreage	Average annual payment per acre	Average annual payment per agreement
California	14	3,414	\$26,176	\$7.67	\$1,870
Louisiana	11	903	4,513	5.00	410
Maine	25	1,924	9,799	5.09	392
Minnesota	337	13,512	127,951	9.47	380
Mississippi	22	3,578	17,892	5.00	813
Montana	48	5,294	49,741	9.40	1,036
Nebraska	13	512	7,478	14.61	575
North Dakota	325	30,616	267,944	8.75	824
South Dakota	225	18,191	153,711	8.45	683
Oregon	2	1,020	9,142	8.96	4,571
Vermont	25	1,887	12,030	6.38	481
Washington	13	998	10,056	10.08	774
Wisconsin	145	7,618	64,953	8.53	448
Total	1,205	89,467	\$761,386	\$8.51	\$632

No agreements were entered into for a 1973 program.

The 1974 program, announced December 26, 1973, continued the program established by Congress in 1971. The sign-up period for the 1974 program was February 4 through February 15, 1974. The initial allocation of funds for each county was \$14,000 (States having more than one county designated were permitted to transfer funds between counties.). Listed below are the States and counties participating in the 1974 program:

STATE AND COUNTY

ARKANSAS
Prairie

CALIFORNIA
Lassen
Merced

LOUISIANA
Concordia

MAINE
Kennebec

MICHIGAN
Lapeer

MINNESOTA
Big Stone
Douglas
East Polk
Grant
Kandiyohi
Mahnommen
Meeker
Pope
Swift
West Otter Tail

STATE AND COUNTY

MISSISSIPPI
Leflore

MONTANA
Daniels
Glacier
Pondera
Roosevelt
Sheridan
Toole

NEBRASKA
Clay
Phelps

NORTH DAKOTA
Barnes
Benson
Bottineau
Cavalier
Divide
Eddy
Foster
Griggs
LaMoure
Nelson
Ramsey

STATE AND COUNTY

NORTH DAKOTA (cont.)

Rolette
Sargent
Steele
Stutsman
Towner
Wells

OREGON

Lake

SOUTH DAKOTA

Brookings
Clark
Codington
Day
Deuel
Edmunds
Faulk

STATE AND COUNTY

SOUTH DAKOTA (cont.)

Hamlin
Kingsburg
Lake
McCook
McPherson
Marshall
Miner

VERMONT

Addison

WASHINGTON

Spokane

WISCONSIN

Dodge
Fond du Lac
Winnebago

(h) Emergency Conservation Measures

Appropriation Act, 1974	\$10,000,000
Budget Estimate, 1975	- -
Decrease in Appropriation	<u>-10,000,000</u>

SUMMARY OF DECREASE

	<u>1974</u>	<u>Decrease</u>	<u>1975</u>
Emergency cost-sharing assistance to farmers	\$10,000,000	-\$10,000,000	- -
Total available	<u>10,000,000</u>	<u>-10,000,000</u>	<u>- -</u>

PROJECT STATEMENT

(On the basis of appropriation)

Project	1973	1974 (estimated)	Decrease	1975 (estimated)
Emergency cost-sharing assistance to farmers	\$25,000,000	\$10,000,000	-\$10,000,000	- -
Total, appropriation or estimate	<u>25,000,000</u>	<u>10,000,000</u>	<u>-10,000,000</u>	<u>- -</u>

PROJECT STATEMENT

(On basis of available funds)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
Emergency cost-sharing assistance to farmers	\$18,361,974	\$23,200,000	-\$23,200,000	- -
Balance brought forward from prior years	-13,669,702	-20,430,863	+13,200,000	-7,230,863
Recovery of prior allocations	-123,135	- -	- -	- -
Balance transferred to REP account	- -	- -	+7,230,863	+7,230,863
Balance carried forward to next year	20,430,863	7,230,863	-7,230,863	- -
Total, appropriation	<u>25,000,000</u>	<u>10,000,000</u>	<u>-10,000,000</u>	<u>- -</u>

EXPLANATION OF PROGRAM

The appropriation "Emergency Conservation Measures" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Third Supplemental Appropriation Act of 1957. Under the program, the Government shares a portion of the cost (up to 80% for carrying out approved practices), to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters.

Assistance is available only when, as a result of wind erosion, floods, hurricanes, or other natural disasters, new conservation problems are created which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

Examples of practices for which cost-sharing assistance is provided under the emergency conservation measures program include:

Flood

- Removal of flood-deposited debris from farmlands
- Smoothing gullies and field washouts
- Restoration of pond levees, sod waterways, drainage ditches, and irrigation systems
- Stabilizing stream banks
- Releveling or reshaping land damaged by flood waters, which before the flood, had been leveled or shaped, for more efficient use of irrigation water and to prevent erosion
- Establishing protective vegetative cover on seriously eroded areas

Drought

- Development of wells, springs, and ponds for livestock water
- Reorganization of irrigation systems, including other measures to conserve the limited supply of water available for irrigation
- Restoration of permanent vegetative cover destroyed or seriously damaged on areas which would be subject to serious erosion unless vegetative cover is reestablished
- Tillage operations to prevent or control wind erosion

Windstorm

- Removal of debris from cropland or pastures, orchards, farm woodland, stream channels, waterways, and ditches

Earthquake

- Removal of debris deposited by seismic waves caused by earthquake
- Land smoothing and reestablishment of vegetative cover on cropland damaged by fissures resulting from the earthquake
- Reestablishment of vegetative cover damaged by scour or deposits of sedimentation by seismic waves
- Reconstruction of permanent fences destroyed or impaired by seismic waves

Fire

- Reseeding burned over rangeland
- Planting trees on burned over woodland
- Repairing range fences
- Removing debris from stream channels

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of \$10,000,000 under the project "Emergency cost-sharing assistance to farmers" since cost-share approvals will be provided for under the Rural Environmental Program. **Technical assistance previously financed in this account would be financed by a direct appropriation to Soil Conservation Service conservation operations.**

STATUS OF PROGRAM

The Emergency Conservation Measures program was first authorized in the Third Supplemental Appropriation Act, 1957, (Public Law 85-58). Under the program, the Government shares a portion of the cost (up to 80% for carrying out approved practices), to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters.

Appropriations have been provided for this program as follows:

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Outlays</u>
1957	\$4,000,000	\$930,800
1958	20,000,000	1,974,898
1959	- -	3,211,377
1960	- -	896,656
1961	- -	549,201
1962	5,000,000	8,796,544
1963	- -	2,701,428
1964	4,000,000	3,392,835
1965	14,000,000	10,007,537
1966	24,000,000	13,189,570
1967	5,000,000	5,701,969
1968	5,000,000	5,403,016
1969	5,000,000	7,143,935
1970	5,000,000	8,303,981
1971	5,000,000	12,364,588
1972	12,000,000	7,407,073
1973	25,000,000	9,227,765
1974	<u>10,000,000</u>	<u>19,000,000</u> (est.)
	143,000,000	120,203,173

Since July 1, 1973, about \$9.6 million has been allocated to partially cover restoration measures to be carried out in States affected by drought, floods, hurricanes, windstorms, and tornadoes which occurred since the spring of 1973.

Following are allocations by States for cost-sharing assistance for the 1972, 1973, and 1974 programs (as of December 31, 1973).

	Program Year			Type(s) of Disasters
	1972	1973	1974	
Alabama	- -	\$960,800	- -	Flood, tornado
Arizona	- -	1,050,000	- -	Flood
Arkansas	\$24,467	28,533	- -	Tornado
California	30,000	286,000	- -	Flood, tornado
Colorado	- -	967,000	- -	Flood
Florida	- -	306,500	- -	Flood
Georgia	8,702	688,000	\$100,000	Flood, tornado
Idaho	116,336	10,998	- -	Flood
Illinois	- -	720,000	7,200	Flood
Indiana	- -	- -	70,000	Flood
Iowa	121,800	1,206,000	30,000	Flood
Kansas	- -	- -	300,000	Flood
Kentucky	112,485	197,400	- -	Flood
Louisiana	- -	400,000	- -	Flood
Maine	- -	136,000	- -	Flood
Maryland	- -	450,000	- -	Flood
Massachusetts	- -	- -	13,000	Flood, tornado
Michigan	- -	220,346	- -	Flood, tornado
Mississippi	- -	1,261,000	- -	Flood, tornado
Missouri	- -	1,387,500	- -	Flood, tornado
Montana	257,876	106,700	- -	Flood
Nebraska	182,500	- -	40,000	Flood, fire
New Hampshire	- -	- -	120,000	Flood
New Mexico	54,956	720,000	76,600	Flood, freeze
New York	- -	5,325,000	185,000	Flood
North Carolina	159,924	860,000	- -	Flood
North Dakota	12,402	- -	- -	Flood
Ohio	- -	233,700	- -	Flood, tornado
Oklahoma	90,000	50,000	200,000	Flood
Oregon	1,245,461	- -	- -	Flood
Pennsylvania	- -	3,700,000	- -	Flood
South Dakota	220,000	20,000	- -	Flood
Tennessee	31,200	1,500,000	- -	Flood
Texas	1,425,900	- -	375,000	Flood
Utah	- -	50,000	- -	Flood
Vermont	- -	450,000	- -	Flood
Virginia	- -	3,522,000	- -	Flood
Washington	513,623	1,010,000	- -	Flood
West Virginia	- -	287,000	- -	Flood
Wisconsin	- -	285,000	- -	Flood
Wyoming	220,869	55,000	- -	Flood
Totals	4,828,501	28,450,477	1,516,800	

(i) Conservation Reserve Program

Carryover funds from prior year appropriations were sufficient to meet contractual commitments until the end of the program (December 31, 1972).

The following table summarizes the current status of funds.

Item	1973 Actual	1974 Estimated	Increase or Decrease	1975 Estimated
Obligated balance start of year ...	\$193,208	\$111,393	-\$111,393	- -
Recovery of prior year obligations	53,185	- -	- -	- -
Annual rental payments	- -	-32,000	+32,000	- -
Unobligated balance, lapsing	- -	-79,393	+79,393	- -
Transferred to other accounts for pay costs	-135,000	- -	- -	- -
Obligated balance, end of year	111,393	- -	- -	- -

EXPLANATION OF PROGRAM

This program was authorized under the Soil Bank Act of 1956. The program was initiated in 1956, and had two objectives. One was to bring total crop acreage more nearly in line with demand by withdrawing cropland from production. The other was to establish and maintain sound conservation practices on the land withdrawn. The Secretary was authorized, through calendar year 1960, to enter into 3 to 10 year contracts with producers for removing designated cropland from production and for establishing conservation practices. Total annual rental payments to a producer were limited to \$5 thousand.

Final payments under this program except for pending court claims, were made in the fiscal year 1973.

STATUS OF PROGRAM

The Conservation Reserve Program was enacted to help meet the agricultural surplus problem. Its primary purpose was to divert land from crop production in excess of current needs. It also provided assistance to farmers in establishing and maintaining protective cover or other sound conservation uses on the land placed in reserve.

The Conservation Reserve was a voluntary program. Under it the participating farmer signed a contract to withdraw a specified acreage of cropland from production for a period of from 3 to 10 years. He agreed to comply with any acreage allotments on his farm and to reduce his total crop acreage by the amount of land placed in reserve. To protect the land taken out of production, the farmer also agreed to provide adequate vegetative or other approved conservation cover.

Rental payments have been completed except for a number of claims pending in court. Over 28 million acres were taken out of production under this program.

Payments to Farmers for Acreage Taken out of Production Under the Conservation Reserve Program

<u>Program Year</u>	<u>Acres Diverted (millions)</u>	<u>Payments (\$1,000)</u>
1956	1.4	18,547
1957	6.4	94,925
1958	9.9	141,889
1959	22.5	306,136
1960	28.7	350,539
1961	28.5	332,684
1962	25.8	305,959
1963	24.3	289,948
1964	17.4	193,712
1965	14.0	150,981
1966	13.3	140,735
1967	11.0	121,802
1968	9.2	106,733
1969	3.4	38,620
1970	.1	891
1971	1/	80
1972	1/	-53
1973	-0-	32
Total		<u>2,594,160</u>

1/ Less than 50 thousand.

(j) Cropland Conversion Program

No new agreements have been made since 1967. Future payments under prior year agreements, for which funds are available, will continue to be made until they expire in fiscal year 1976.

The following table summarizes the appropriation, balance carried forward and payments, 1973 through 1975.

Item	1973 Actual	1974 Estimated	Increase or Decrease	1975 Estimated
Obligated balance start of year..	\$1,267,553	\$610,871	-\$107,000	\$503,871
Annual rental payments	-106,682	-107,000	- -	-107,000
Transferred to other accounts for pay cost	-550,000	- -	- -	- -
Obligated balance end of year ...	610,871	503,871	-107,000	396,871

EXPLANATION OF PROGRAM

This program was authorized in the Food and Agriculture Act of 1962, as an amendment Section 16(e), of the SCDA Act. Long-range agreements not to exceed 10 years were approved with farmers and ranchers from 1963 to 1967 to make changes from their past cropping systems and land uses to other income-producing, public benefit uses. The agreements provided for payments, the furnishing of material and services, and other assistance to farmers. In return, farmers changed the land-use and installed and maintained conservation practices. Adjustment payments were authorized to be made either upon approval of the agreement or on an annual installment basis. Land treatment practice payments were made after the practice was installed.

STATUS OF PROGRAM

The program was offered to farmers during the years 1963 through 1967 under the authority of Section 101 of the Food and Agriculture Act of 1962. The legislation authorized the Secretary to enter into agreements with farmers and ranchers, not to exceed 10 years. The land under agreements was converted to income-producing grassland, woodland, water storage, wildlife habitat, and outdoor recreational enterprises. This approach was designed to provide the best opportunity for bringing about a permanent shift of cropland to other and more needed uses.

Under the program about 10,000 agreements were entered into on 0.6 million acres in 473 counties in 42 States, and about 13 thousand acres remain under agreements in 1975.

Optional Termination or Modification of CAP and CCP Agreements. In mid-summer 1973, it was determined, in light of current demands for agricultural production, that it would be in the public interest to permit termination or modification of CAP and CCC agreements in advance of the end of the original agreement period. Under this option, the agreement period ends December 31, 1973. Producer requests for termination had to be filed prior to destruction of cover for preparing for a 1974 crop. Reports received to date indicate minimal reductions in payment requirements for F. Y. 1975.

The following table reflects acreage diverted and payments made since the inception of the program.

Acreage Diverted and Payments History

<u>Fiscal Year</u>	<u>Acres</u> (000)	<u>Payments</u> (000)
1963	130	\$3,982
1964	125	7,097
1965	445	9,667
1966	449	1,921
1967	584	1,655
1968	481	3,127
1969	481	2,952
1970	46	2,276
1971	40	164
1972	13	108
1973	13	107
1974 (Est.)	13	107
1975 (Est.)	13	107
1976 (Est.)	13	107
Total	<u>XXXX</u>	<u>33,377</u>

FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation created February 16, 1938 (7 U.S.C. 1501) to carry out the Federal Crop Insurance Act. The purpose of this Act is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for research and experience helpful in devising and establishing such insurance.

Crop insurance offered to agricultural producers by the Corporation provides protection from losses caused by unavoidable natural hazards, such as insect and wildlife damage, plant diseases, fire, drought, flood, wind, and other weather conditions. It does not indemnify producers for losses resulting from negligence or failure to observe good farming practices.

The 1974 crop insurance programs will operate in 1,442 counties, furnishing insurance coverage of approximately \$955 million on apples, barley, beans, citrus combined crop, corn, cotton, flax, grain sorghum, grapes, oats, peaches, peanuts, peas, raisins, rice, soybeans, sugar beets, sugarcane, tobacco, tomatoes, and wheat. It is estimated that 317,000 crops will be insured for the 1974 crop year, as compared with 318,000 for the 1973 crop year.

Available Funds and Man-Years
1973 and Estimated, 1974 and 1975

Item	Actual 1973		Estimated Available 1974		Budget Estimate 1975	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Administrative and Operating Expenses:						
Appropriation.....	<u>b/</u> \$11,978,334	750	<u>c/</u> \$11,994,475	735	\$12,000,000	729
Federal Crop Insurance Corporation Fund.....	3,654,000	153	<u>d/</u> 4,640,000	196	5,818,000	232
Total, Appropriation Bill.....	15,632,334	903	16,634,475	931	17,818,000	961
Loss Adjustment Costs (non-administrative and operating expenses) paid from Federal Crop Insurance Corporation Fund.....	1,860,617	134	2,620,000	193	2,702,000	197
Total, above items.....	17,492,951		19,254,475		20,520,000	
Other funds:						
Miscellaneous reimbursements.....	1,451		---		---	
Total, Federal Crop Insurance Corporation <u>a/</u>	17,494,402	1,037	19,254,475	1,124	20,520,000	1,158

End-of-Year Employment:	1973 <u>Actual</u>	1974 <u>Estimated</u>	1975 <u>Estimated</u>
Permanent full-time	566	560	560
Other	762	850	883
Total	<u>1,328</u>	<u>1,410</u>	<u>1,443</u>

a/ Excludes corporate funds, other than those shown above for administrative and operating expenses and for loss adjustment costs.

b/ Excludes \$21,666 for GSA space transfer.

c/ Excludes \$5,525 for GSA space transfer.

d/ Includes pay increase cost of \$1,008,000 for 1974 which will require an increase in the amount of authorization from premium income. No supplemental appropriation is requested for additional pay costs, since such cost, if appropriated would exceed the Corporation's annual limitation of \$12 million.

Administrative and Operating Expenses

	<u>Appropriation</u>	<u>Administrative Expenses Payable from Premium Income</u>	<u>Total</u>
Appropriation Act, 1974.....	\$12,000,000	\$ 3,632,000	\$15,632,000
Budget Estimate, 1975.....	<u>12,000,000</u>	<u>5,818,000</u>	<u>17,818,000</u>
Increase in Appropriation.....	<u>---</u>	<u>+2,186,000</u>	<u>+2,186,000</u>
Adjustments in 1974:			
Appropriation Act, 1974.....	12,000,000	3,632,000	15,632,000
Transfer to GSA for rental of space.....	-6,000	---	-6,000
1974 Supplemental Approp- riation for pay costs....	---	+1,008,000	+1,008,000
Adjusted base for 1975.....	11,994,000	4,640,000	16,634,000
Budget Estimate, 1975.....	<u>12,000,000</u>	<u>5,818,000</u>	<u>17,818,000</u>
Increase over adjusted 1974...	+6,000	+1,178,000	+1,184,000

NOTE: The Corporation's 1975 budget estimate includes \$5,818,000 for administrative and operating expenses payable from premium income and \$12,000,000 by annual appropriation. For clarity and completeness, the following project statement and justification cover the total estimated amounts required for administrative and operating expenses of the Corporation.

Summary of Increases and Decreases

	<u>1974</u>	<u>Increase or Decrease</u>	<u>1975 Estimated</u>
Underwriting, actuarial, and program development.....	\$ 1,925,000	\$ 76,000	\$ 2,001,000
Marketing and collections.....	8,126,000	256,000	8,382,000
Contract servicing and claims...	5,575,000	168,000	5,743,000
GSA space rental costs.....	---	512,000	512,000
Annualization of the pay cost increase effective in F.Y. 1974.....	<u>1,008,000</u>	<u>172,000</u>	<u>1,180,000</u>
Total available.....	16,634,000	1,184,000	17,818,000

PROJECT STATEMENT

Item	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Underwriting, actuarial, and program development.....	\$ 1,581,525	\$ 2,104,000	(1)+184,000	\$ 2,288,000
2. Marketing and collections.....	8,152,090	8,586,000	(2)+602,000	9,188,000
3. Contract servicing and claims..	5,232,189	5,944,000	(3)+398,000	6,342,000
Subtotal.....	14,965,804	16,634,000	+1,184,000	17,818,000
Deduct: Total obligations pay- able from premium income.....	2,987,470 ^{a/}	4,640,000	+1,178,000	5,818,000
Total available or estimate.....	11,978,334	11,994,000	(4)+6,000	12,000,000
Transferred to GSA.....	21,666	6,000		
Total, appropriation.....	12,000,000	12,000,000		

^{a/} Excludes \$666,530 unobligated balance under the limitation on administrative and operating expenses payable from premium income.

EXPLANATION OF PROGRAM

The appropriation, "Administrative and Operating Expenses" of the Federal Crop Insurance Corporation, funds the activities authorized by the Federal Crop Insurance Act of 1938, as amended (7 U.S.C. 1501-1519). The activities carried out are as follows:

Underwriting, actuarial, and program development - This activity covers the underwriting function which makes determinations with respect to establishment of insurance coverage and premium rates for different farming practices (summer fallow, continuous cropping, irrigation etc.) in each county. In each county also insurance coverages and premium rates are broken down by areas to reflect variation in productivity and in risk of loss. Crop insurance coverages must be established and maintained for each crop in each county. (Crop Year 1975 - 1,467 counties).

Field underwriters review and recommend revision of local area rates and coverages each year to refine the actuarial structure. In addition, new programs are researched and developed, and existing ones are reviewed for improvement of contract provision and proposals. Field personnel are aided in initiating programs and supervising experimental projects.

The following table shows the county programs offered in 1972 and 1973, and the number planned for 1974 and 1975:

County Programs and Counties

<u>Commodity</u>	1972 Crop Year County Programs	1973 Crop Year County Programs	1974 Crop Year County Programs	1975 Crop Year County Programs
Apple.....	8	8	8	8
Barley.....	191	191	191	196
Bean.....	36	36	36	37
Citrus.....	27	27	27	28
Combined crop.....	7	7	7	7
Corn.....	582	599	612	628
Cotton.....	299	298	262	269
Flax.....	82	82	82	84
Grain sorghum.....	185	186	179	184
Grape.....	8	8	8	8
Oat.....	259	261	258	265
Pea.....	53	53	52	53
Peach.....	23	23	19	19
Peanut.....	56	65	65	67
Raisin.....	7	7	7	7
Rice.....	24	24	24	25
Soybean.....	602	608	624	640
Sugar beet.....	78	78	95	97
Sugar cane.....	12	12	12	12
Tobacco.....	252	253	254	260
Tomato.....	13	13	8	8
Wheat.....	731	731	731	749
Total County Programs.....	3,535	3,570	3,561	3,651
Counties offering insurance.....	1,422	1,432	1,442	1,467

Marketing and collection - This activity covers selling of crop insurance policies by employees working on a WAE (when actually employed) basis and local agents working under contractual agreements. These employees are supervised by a permanent staff of area sales specialists and supervisors reporting directly to a Center Director. Other functions performed under this activity are: collection work, formulating and developing sales policies and program; directing the use of sales promotional materials; and working with private insurance groups, farm organizations, etc. The following summary shows actual and estimated sales and carryover:

Participation Summary of Crops Insured
1973, 1974, and 1975 Crop Years

	Actual 1973	Estimated 1974			Estimated 1975		
		Carryover	Sales	Total	Carryover	Sales	Total
Apples....	547	438	106	544	436	118	554
Barley....	11,931	9,548	2,322	11,870	9,511	2,584	12,095
Beans.....	2,798	2,239	545	2,784	2,231	606	2,837
Citrus....	2,650	2,121	515	2,636	2,112	574	2,686
Combined crop....	2,143	1,715	417	2,132	1,708	464	2,172
Corn.....	62,754	50,221	12,211	62,432	50,024	13,590	63,614
Cotton....	11,210	8,971	2,181	11,152	8,936	2,427	11,363
Flax.....	6,733	5,388	1,310	6,698	5,367	1,458	6,825
Grain sorghum.	10,011	8,012	1,948	9,960	7,981	2,167	10,148
Grapes....	285	228	56	284	228	61	289
Oats.....	17,920	14,341	3,487	17,828	14,285	3,880	18,165
Peaches...	57	46	11	57	46	12	58
Peanuts...	4,678	3,744	910	4,654	3,729	1,013	4,742
Peas.....	2,810	2,249	547	2,796	2,240	609	2,849
Raisins...	814	651	159	810	649	176	825
Rice.....	211	169	41	210	168	46	214
Soybeans..	47,373	37,912	9,218	47,130	37,763	10,259	48,022
Sugarbeets	1,636	1,309	319	1,628	1,304	355	1,659
Sugarcane.	236	189	46	235	188	51	239
Tobacco...	64,326	51,479	12,516	63,995	51,277	13,929	65,206
Tomatoes..	131	105	25	130	104	28	132
Wheat.....	67,383	53,925	13,110	67,035	53,713	14,593	68,306
Total...	318,637	255,000	62,000	317,000	254,000	69,000	323,000

Contract servicing and claims - This activity covers functions directly related to crop inspections and loss adjustments. Some of the functions performed are: formulating and recommending policies to management on crop losses, handling unusual and complex claims involving legal interpretation and corporate litigation, analyzing and reporting crop damage or loss, supervising loss adjusters, reviewing the effectiveness of the loss adjustment program, and developing loss adjustment instructions and procedures for determining crop-damage liability. Also, under this activity, the annual servicing of contracts is performed. This consists of: obtaining acreage reports, answering inquiries from insured farmers, processing transfers of interest, handling collateral assignments, and keeping the farmers generally informed regarding the crop insurance program.

The following table reflects the number of crops insured, inspections, insurance liability, and loss ratio for the last four years, and estimates for 1974 and 1975 crop years:

<u>Fiscal Year</u>	<u>Crop Year</u>	<u>Crops Insured</u>	<u>Number of Inspections</u>	<u>Insured Liability</u>	<u>Loss Ratio</u>
1970	1969	436,103	93,297	918,520	1.08
1971	1970	396,816	85,806	852,086	.94
1972	1971	381,148	72,775	946,198	.60
1973	1972	342,328	72,250	856,133	.60
1974 (est.)	1973	318,000	81,000	935,000	.75
1975 (est.)	1974	317,000	95,000	955,000	.90

A summary of insurance operations and changes in capital for fiscal year 1973 and estimates for the fiscal years 1974 and 1975 follow:

Summary of operations and changes in capital:

	<u>1973 Actual</u>	<u>1974 Estimate</u>	<u>1975 Estimate</u>
Net capital at beginning of year.....	\$38,955,311	\$50,996,776	\$ 55,228,776
Additions to capital during the year:			
Insurance premiums (net).....	42,128,945	47,000,000	48,000,000
Interest and other income.....	1,692	---	---
Prior Year adjustments.....	-160,463	---	---
Subscription to capital stock.....	---	---	---
Total capital available for insurance operations during year.....	\$80,925,485	\$97,996,776	\$103,228,776
Deductions from capital during the year:			
Insurance indemnities.....	25,239,065	35,250,000	43,200,000
Loss adjustment and inspection costs...	1,860,617	2,620,000	2,702,000
Prior year adjustments.....	-105,251	---	---
Reinsurance expense.....	18,413	---	---
Administrative expenses charged to program operations.....	2,987,470	4,640,000	5,818,000
Estimated uncollectible premiums.....	-71,605	258,000	264,000
Total deductions from capital.....	\$29,928,709	\$42,768,000	\$ 51,984,000
Net capital at end of year.....	<u>\$50,996,776</u>	<u>\$55,228,776</u>	<u>\$ 51,244,776</u>

Analysis of capital:

Capital stock:			
Authorized.....	\$100,000,000	\$100,000,000	\$100,000,000
Unissued.....	40,000,000	40,000,000	40,000,000
Issued.....	60,000,000	60,000,000	60,000,000
Deficit (-).....	-9,003,224	-4,771,224	-8,755,224
Net capital at end of year.....	<u>\$ 50,996,776</u>	<u>\$ 55,228,776</u>	<u>\$ 51,244,776</u>

The current capital stock issue of \$60 million is composed of \$10 million subscribed by P. L. 92-73, approved August 10, 1971, and \$50 million in prior year subscriptions issued pursuant to the Federal Crop Insurance Act.

The crop insurance programs are developed and analyzed in the Washington headquarters office and are administered in the field by fourteen sales and contract service centers. Sales and servicing of contracts at the county level is performed by private agents under contractual agreements with the Corporation and by Corporation employees hired on a permanent, part-time or WAE (when actually employed) basis. Detailed insurance and accounting records are maintained by the National Service Office in Kansas City, Missouri.

The following table summarizes the planned level of crop insurance operations for crop year 1975, compared with 1973 and 1974:

	1973	1974	1975
Insurance in force (\$1,000)	\$ 935,000	\$ 955,000	\$ 985,000
Premiums (\$1,000).....	\$47,000	\$48,000	\$ 50,000
Indemnities (\$1,000)	\$35,250	\$43,200	\$45,000
Loss Ratio	.75	.90	.90
Counties	1,432	1,442	1,467
Crops Insured	318,000	317,000	323,000
Insured Acreage (1,000)	16,700	16,700	17,200

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$184,000 in the Federal Crop Insurance Corporation Fund for underwriting, actuarial, and program development. The increase breaks down as follows (\$2,104,000 available in 1974):

GSA space rental.....	\$85,000
Pay cost.....	23,000
Program expansion.....	76,000
Total.....	\$184,000

Need for increase: The addition of new county programs and maintenance of existing programs will require more actuarial, program development and research work during fiscal year 1975. New contracts and regulations for administering a sound crop insurance program must be developed in 25 new counties. A continuous review of existing contract and regulation provisions is necessary to keep the program responsive to the need of the farmers.

Plan of work: The underwriting, actuarial and program development work for crop year 1975 will be performed in 1,467 counties covering approximately 3,651 county programs. Most of the work will be performed by field underwriters who will review and recommend revision of local rates and coverages.

Current plans provide for reworking the actuarial structure in approximately 20 percent of the counties each year. It is estimated that the actuarial structure will be reworked in 730 crop counties in 1975. However, if insurance experience for certain areas and crops indicate that adjustments are necessary, the rates and coverages would be revised more frequently to prevent impairment of the soundness of the program.

The following table reflects the cost and man-year distribution of this activity for 1974 and 1975.

Function	1974		1975		Change 1975 over 1974	
	M.Y.	Cost	M.Y.	Cost	M.Y.	Cost
1. Actuarial Analysis.....	16.9	\$423,000	20.4	\$533,000	+3.5	\$+110,000
2. Program Development.....	4.0	106,000	4.0	113,000	---	+7,000
3. Field Underwriting.....	76.6	1,221,000	77.1	1,270,000	+ .5	+49,000
4. Other Related Servicing Cost:						
National Service Office.....	4.5	81,000	4.5	90,000	---	+9,000
Statistical Yield Data*.....	---	273,000	---	282,000	---	+9,000
Total.....	102.0	2,104,000	106.0	2,288,000	+4.0	184,000

*Data will be furnished by USDA Statistical Reporting Service and Agricultural Stabilization and Conservation Service on a reimbursable basis.

- (2) An increase of \$602,000 in the Federal Crop Insurance Corporation Fund for marketing and collections as follows (\$8,586,000 available in 1974):

GSA space rental.....	\$262,000
Pay cost.....	84,000
Program expansion.....	<u>256,000</u>
Total.....	\$602,000

Need for increase: Additional resources are required to adequately broaden the Corporation's marketing functions to provide the farmers with the amount of crop protection planned for fiscal year 1975. Most of these resources will be needed at the county level to contact the farmers, farm community leaders, business firms and credit representatives who are interested in the crop insurance program.

Plan of work: The crop insurance program in F.Y. 1975 provides for increasing farmers' participation in the program from 317 thousand crops insured in 1974 to 323 thousand. Premiums are estimated to increase approximately \$2 million in 1975 above 1974 level. This increase will provide approximately \$30 million additional crop insurance protection to farmers totaling an estimated \$985 million by crop year 1975. To provide farmers with the amount of crop protection planned for fiscal year 1975, it will be necessary to make approximately 69,000 sales.

The following table reflects the cost and man-year distribution of this activity for 1974 and 1975:

Function	1974		1975		Change 1975 over 1974	
	M.Y.	Cost	M.Y.	Cost	M.Y.	Cost
1. Field Sales Operations.....	403.5	6,820,000	426.3	\$7,161,000	+22.8	\$+341,000
2. Advertising and Sales Promotion.....	---	226,000	---	226,000	---	---
3. Other Marketing and Servicing costs:						
Marketing Division and National Service Office..	59.0	1,540,000	59.0	1,801,000	---	+261,000
Total.....	462.5	8,586,000	485.3	9,188,000	22.8	+602,000

- (3) An increase of \$398,000 in the Federal Crop Insurance Corporation Fund for contract servicing and claims as follows (\$5,944,000 available in 1974):

GSA space rental.....	\$165,000
Pay cost.....	65,000
Program expansion.....	<u>168,000</u>
Total.....	\$398,000

Need for increase: The additional funds for this activity are needed to cover the estimated increase in the number of inspections, increased servicing of contracts, and loss claims workload during fiscal year 1975 resulting from the expansion of the program. The estimated workloads are based on the average number of losses and inspections processed during the past several years. However, the actual crop loss in 1975 may vary, depending on the growing conditions as well as the number of crops insured.

Plan of work: The expansion of the crop insurance program to 25 new counties and in counties already having a crop insurance program will require the development of new or revised loss adjustment instructions and procedures for adjusting losses. Also, additional loss adjusters (WAE's) will be needed to inspect insured farms when (1) the crop is damaged during the growing season; (2) the insured requests an inspection and release of acreage and (3) it appears necessary that a preliminary inspection be made to protect the interests of the Corporation; and (4) final determination of insured loss is made following harvest.

The following table reflects the cost and man-year distribution of this activity for 1974 and 1975:

Function	1974		1975		Change 1975 over 1974	
	M.Y.	Cost	M.Y.	Cost	M.Y.	Cost
1. Contract Servicing Field Operation.....	277.0	\$3,810,000	280.0	\$3,910,000	+3.0	\$+100,000
2. Other related Servicing costs:						
Contract Service Div. and NSO.....	89.3	2,134,000	89.3	2,432,000	---	+298,000
Total.....	366.3	5,944,000	369.3	6,342,000	+3.0	+398,000

STATUS OF PROGRAM

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation which provides all-risk crop insurance protection against unavoidable causes of loss. The Corporation's objective is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

Summary of Experience 1948-1972:

During the twenty-five-year period, premiums of \$697.2 million exceeded indemnities of \$645.3 million by \$51.9 million.

Cumulative experience shows premium income on wheat the highest of all the commodities insured during the period. Of the \$697.2 million total premium, \$272.8 million or 39.1 percent were earned from the wheat program. Likewise, indemnities on wheat amounted to \$228.2 million or 35.4 percent of the \$645.3 million total indemnities for the period 1948 through 1972. The loss ratio for wheat for the period was .84 as compared with .93 for all commodities.

The number of counties in which crop insurance is offered has increased from 375 in 1948 to 1,422 in 1972, and crops insured increased from 169,129 to 342,328 during the period.

The following tables summarize the experience for the period 1948 through 1972 by crops and years:

SUMMARY OF EXPERIENCE - BY CROPS CROP YEARS 1948 - 1972 (Dollars in thousands)

<u>Crop</u>	<u>Net Premiums</u>	<u>Indemnities</u>	<u>Premiums Compared with Indemnities a/</u>	<u>Loss Ratio</u>
Apple	\$ 2,608	\$ 3,931	\$ -1,323	1.51
Barley	12,851	7,930	4,921	.62
Bean	5,693	6,196	-503	1.09
Cherry	150	391	-241	2.61
Citrus	23,793	41,826	-18,033	1.76
Combined Crop	33,217	37,505	-4,288	1.13
Corn	106,987	96,197	10,790	.90
Cotton	66,726	98,648	-31,922	1.48
Flax	14,783	11,583	3,200	.78
Grain Sorghum	10,061	7,375	2,686	.73
Grape	670	1,190	-520	1.78
Oat	6,537	3,401	3,136	.52
Pea	4,099	5,861	-1,762	1.43
Peach	4,651	6,272	-1,621	1.35
Peanut	8,786	6,557	2,229	.75
Potato	1,269	2,669	-1,400	2.10
Raisin	3,813	1,523	2,290	.40
Rice	584	279	305	.48
Safflower	4	10	-6	3.93
Soybean	41,484	34,089	7,395	.82
Sugar Beet	3,601	3,055	546	.85
Sugarcane	1,020	480	540	.47
Tobacco	70,203	39,711	30,492	.57
Tomato	344	253	91	.73
Tung Nut	89	67	22	.75
Wheat	272,833	228,247	44,586	.84
Puerto Rico Rein	342	24	318	.07
Total	<u>697,198</u>	<u>645,270</u>	<u>51,928</u>	<u>.93</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.

SUMMARY OF EXPERIENCE - BY CROP YEAR
1948 - 1972

(Dollars in Thousands)

<u>Crop Year</u>	<u>Net Premiums</u>	<u>Indemnities</u>	<u>Premiums Compared with Indemnities a/</u>	<u>Loss Ratio</u>
1948	\$ 12,684	\$ 6,780	\$ 5,904	.53
1949	11,862	15,531	-3,669	1.31
1950	14,104	12,799	1,305	.91
1951	19,111	21,338	-2,227	1.12
1952	21,200	20,609	591	.97
1953	27,098	31,057	-3,959	1.15
1954	22,655	28,030	-5,375	1.24
1955	22,330	25,505	-3,175	1.14
1956	22,139	27,890	-5,751	1.26
1957	17,407	12,004	5,403	.69
1958	17,617	4,505	13,112	.26
1959	18,461	14,138	4,323	.77
1960	17,797	10,316	7,481	.58
1961	18,149	16,092	2,057	.89
1962	21,854	24,022	-2,168	1.10
1963	30,374	23,524	6,850	.77
1964	33,852	30,362	3,490	.90
1965	36,015	40,753	-4,738	1.13
1966	36,828	25,198	11,630	.68
1967	43,485	55,112	-11,627	1.27
1968	48,966	51,280	-2,314	1.05
1969	48,816	52,780	-3,964	1.08
1970	44,387	41,850	2,537	.94
1971	47,878	28,556	19,322	.60
1972	<u>42,129</u>	<u>25,239</u>	<u>16,890</u>	<u>.60</u>
Total	<u>697,198</u>	<u>645,270</u>	<u>51,928</u>	<u>.93</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.

SUMMARY OF 1972 CROP YEAR EXPERIENCE BY STATE
(Dollars in Thousands)

<u>State</u>	<u>No. of Insured Crops</u>	<u>Coverage</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Premiums Compared with Indemnities a/</u>
Alabama	3,563	\$ 9,298	\$ 637	\$ 146	\$ 491
Arizona	416	5,648	464	479	-15
Arkansas	1,124	3,871	242	349	-107
California	2,643	17,681	1,175	2,614	-1,439
Colorado	3,265	8,599	1,030	347	683
Delaware	560	3,008	185	126	59
Florida	1,737	16,273	1,475	266	1,209
Georgia	3,020	15,745	739	240	499
Idaho	3,064	8,677	387	261	126
Illinois	12,075	31,908	1,220	536	684
Indiana	10,922	18,705	740	522	218
Iowa	37,668	91,791	3,767	1,200	2,567
Kansas	24,648	45,664	3,477	931	2,546
Kentucky	15,685	17,016	562	168	394
Louisiana	1,145	11,211	374	365	9
Maryland	524	1,667	92	63	29
Michigan	3,527	4,410	271	283	-12
Minnesota	45,163	58,456	3,399	1,206	2,193
Mississippi	1,023	11,698	412	512	-100
Missouri	6,141	5,950	474	460	14
Montana	7,012	38,264	2,023	1,935	88
Nebraska	14,528	32,346	2,154	567	1,587
New Mexico	658	3,012	224	240	-16
New York	208	2,491	122	541	-419
North Carolina	28,577	138,358	3,234	1,004	2,230
North Dakota	25,707	57,994	3,338	1,006	2,332
Ohio	12,149	14,542	623	754	-131
Oklahoma	4,026	10,249	778	357	421
Oregon	2,722	16,425	582	523	59
Pennsylvania	2,287	2,395	143	159	-16
South Carolina	4,690	24,696	970	1,417	-447
South Dakota	15,393	11,898	1,119	426	693
Tennessee	14,186	8,752	443	319	124
Texas	8,856	31,319	2,360	2,188	172
Utah	463	680	41	33	8
Virginia	8,242	32,768	887	670	217
Washington	2,631	29,115	1,136	1,461	-325
Wisconsin	11,311	10,037	647	526	121
Wyoming	769	2,366	129	35	94
Puerto Rico	---	1,150	54	4	50
Total	<u>342,328</u>	<u>856,133</u>	<u>42,129</u>	<u>25,239</u>	<u>16,890</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.

Operating Experience - Crop Year 1972

The 1972 crop year insurance operations show premiums exceeding indemnities by approximately \$16,890,000 with a loss ratio of .60. The amount of insurance in force for the 1972 crop year was \$856,133,000 for 342,328 crops insured.

The reinsurance agreement between the Corporation and the Farm Insurance Agency of Puerto Rico resulted in premiums amounting to \$53,765 for a net income of \$31,309 from the 1972 crop year operations. The insured liability for 1972 amounted to \$1,150,391 which was limited to 13.4 percent of their insurance operations on coffee crops, coffee trees and shade trees, bananas, plantains, citrus trees and fruit and papaya fruit.

Premium Income:

The 1972 crop year premium income is \$42,129,000. This is a decrease of \$5,749,000 compared with the figure for crop year 1971.

Indemnities:

Indemnities for the 1972 crop year totaled \$25,239,000 resulting in a loss ratio of .60. Wheat, cotton, citrus and soybean with indemnities of \$5,052,783, \$3,486,205, \$3,184,641 and \$3,089,235 and loss ratios of .42, .97, 1.19 and .79, respectively, account for 59 percent of the total indemnities.

Loss Experience:

The Corporation had a favorable loss experience for the 1972 crop year.

The most favorable 1972 loss experience occurred in the following states:

<u>State</u>	<u>Crop</u>	<u>Excess Premiums Over Indemnities</u>	<u>Loss Ratio</u>
Iowa	Corn	\$2,166,409	.20
North Dakota	Wheat	1,833,342	.24
North Carolina	Tobacco	2,142,279	.20
Minnesota	Corn	1,305,766	.12
Kansas	Wheat	2,259,006	.10
Florida	Citrus	1,145,515	.18

For the first time in six years cotton had a favorable loss ratio, .97. California citrus, with a loss ratio of 3.63, had the least favorable loss experience nationwide.

Program Plans:

The objectives of the Corporation during 1974 and 1975 are:

1. To continue providing crop insurance protection to as many farmers as possible within the available resources, while maintaining the economic soundness of the program; and
2. To continue making improvements in the contract provisions, insurance protection, and premium rates to make the program more responsive to the needs of the farmers. Programs currently in effect are being reviewed to ascertain that rates and coverages are maintained at a level proportionate to the risk.

Program Statistics:

The following tables show: (1) the number of counties insured, crop years 1948 through 1972 and 1973 through 1975 (estimated). (2) data by commodity, crop years 1948 through 1972 (actual).

NUMBER OF COUNTIES

<u>Crop Year</u>	<u>Number of Counties</u>
1948	324
1949	357
1950	549
1951	730
1952	795
1953	847
1954	803
1955	794
1956	806
1957	816
1958	830
1959	847
1960	869
1961	890
1962	995
1963	1,094
1964	1,187
1965	1,214
1966	1,304
1967	1,363
1968	1,395
1969	1,425
1970	1,423
1971	1,423
1972	1,422
1973	1,432
1974	1,442
1975 (estimated)	1,467

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Apple						
1963.....	3	188	\$ 2,378	\$ 163	\$ 57	.35
1964.....	3	126	1,034	71	65	.92
1965.....	4	278	1,556	157	59	.37
1966.....	6	248	1,185	123	234	1.91
1967.....	8	549	4,508	365	332	.91
1968.....	8	503	3,393	281	937	3.33
1969.....	8	580	4,091	374	89	.24
1970.....	8	487	3,750	328	543	1.65
1971.....	8	508	4,005	369	392	1.06
1972.....	8	488	4,089	377	1,223	3.25
Total....	---	---	---	2,608	3,931	1.51
Barley						
1956.....	9	1,695	1,294	102	39	.39
1957.....	14	2,430	2,518	190	66	.35
1958.....	29	4,216	3,861	311	121	.39
1959.....	84	9,334	6,264	527	567	1.08
1960.....	99	13,841	5,823	513	356	.69
1961.....	109	14,296	6,263	612	934	1.53
1962.....	138	19,253	8,409	877	707	.81
1963.....	164	22,069	12,141	1,150	1,207	1.05
1964.....	179	22,166	10,754	1,017	542	.53
1965.....	175	21,143	9,150	836	204	.24
1966.....	177	19,337	10,678	949	397	.42
1967.....	187	17,815	10,925	914	570	.62
1968.....	190	17,247	12,293	1,023	442	.43
1969.....	194	16,097	12,959	966	299	.31
1970.....	194	13,449	12,676	922	608	.66
1971.....	191	12,977	14,560	1,017	308	.30
1972.....	191	12,024	12,703	925	563	.61
Total....	---	---	---	12,851	7,930	.62
Dry Bean						
1948.....	4	1,444	754	32	9	.29
1949.....	9	2,909	1,737	95	61	.64
1950.....	18	5,138	2,293	102	187	1.84
1951.....	29	9,457	3,913	191	599	3.14
1952.....	30	9,014	3,173	198	109	.55
1953.....	30	8,390	4,087	231	142	.62
1954.....	24	6,352	3,128	182	290	1.60
1955.....	17	4,229	2,035	135	89	.66
1956.....	16	3,776	1,868	124	118	.96
1957.....	16	3,539	1,697	107	111	1.03
1958.....	18	3,750	2,251	130	42	.32
1959.....	20	3,749	2,589	113	103	.91
1960.....	22	5,280	2,418	136	80	.59
1961.....	23	4,705	2,390	163	89	.54
1962.....	25	4,928	2,732	185	374	2.03
1963.....	26	5,216	3,962	251	154	.61
1964.....	30	4,572	4,100	253	400	1.58

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Dry Bean (Cont'd)						
1965.....	31	4,653	\$ 6,228	\$ 365	\$ 838	2.29
1966.....	31	5,015	7,143	450	463	1.03
1967.....	35	4,043	5,009	304	193	.64
1968.....	35	3,566	6,085	377	510	1.35
1969.....	36	3,340	6,329	397	325	.82
1970.....	36	3,242	5,647	374	440	1.18
1971.....	36	3,287	5,967	383	256	.67
1972.....	36	3,044	6,438	415	214	.52
Total....	---	---	---	5,693	6,196	1.09
Cherry						
1963.....	1	92	325	34	162	4.84
1964.....	1	131	425	45	9	.21
1965.....	1	122	314	33	55	1.66
1966.....	1	106	307	38	165	4.33
Total....	---	---	---	150	391	2.61
Citrus						
1951.....	1	290	1,137	82	0	---
1952.....	1	202	804	56	2	.04
1953.....	1	218	901	63	0	---
1954.....	2	394	1,514	105	0	---
1955.....	2	324	1,346	94	3	.03
1956.....	2	345	1,529	107	23	.22
1957.....	2	286	1,458	95	689	7.25
1958.....	4	602	3,416	265	39	.15
1959.....	5	639	4,011	313	76	.24
1960.....	6	565	3,724	288	607	2.11
1961.....	10	593	4,118	294	695	2.36
1962.....	14	1,248	9,380	688	6,361	9.25
1963.....	12	1,618	15,057	1,144	37	.03
1964.....	12	1,699	15,696	1,187	529	.45
1965.....	14	1,886	19,112	1,406	1,568	1.11
1966.....	19	2,206	22,186	1,648	477	.29
1967.....	22	2,442	21,956	1,618	4,443	2.75
1968.....	23	3,367	32,434	2,585	5,708	2.21
1969.....	27	4,091	38,142	3,299	5,776	1.75
1970.....	27	3,770	32,998	3,215	9,986	3.11
1971.....	27	3,053	25,027	2,569	1,622	.63
1972.....	27	2,976	25,845	2,672	3,185	1.19
Total....	---	---	---	23,793	41,826	1.76

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Combined Crop						
1948.....	2	714	\$ 587	\$ 24	\$ 1	.06
1949.....	7	2,722	4,100	137	22	.16
1950.....	55	27,725	36,305	1,252	1,174	.94
1951.....	95	36,220	52,670	1,958	3,237	1.65
1952.....	115	42,709	68,849	3,020	7,047	2.33
1953.....	113	50,217	83,487	3,862	3,502	.91
1954.....	96	41,042	68,573	3,210	4,824	1.50
1955.....	83	32,652	51,323	2,826	4,024	1.42
1956.....	101	35,260	51,718	3,234	4,151	1.28
1957.....	124	41,192	49,835	3,344	2,787	.83
1958.....	100	55,010	31,646	2,054	748	.36
1959.....	61	26,424	22,319	1,288	2,189	1.70
1960.....	49	10,050	16,607	867	234	.27
1961.....	38	8,478	14,478	849	1,048	1.23
1962.....	26	6,406	10,639	572	435	.76
1963.....	26	5,558	11,187	604	271	.45
1964.....	18	4,785	10,574	556	249	.45
1965.....	15	4,173	9,928	510	35	.07
1966.....	11	3,689	9,793	469	192	.41
1967.....	9	3,052	10,559	474	1,008	1.12
1968.....	8	2,867	10,894	473	49	.10
1969.....	7	2,524	10,259	393	24	.06
1970.....	7	2,481	10,107	381	79	.21
1971.....	7	2,469	13,126	484	66	.14
1972.....	7	2,244	10,174	376	109	.29
Total....	---	---	---	33,217	37,505	1.13
Corn						
1948.....	36	14,115	11,166	435	75	.17
1949.....	44	19,607	16,683	587	95	.16
1950.....	73	32,292	20,126	724	911	1.26
1951.....	98	37,568	27,929	1,080	2,567	2.38
1952.....	99	36,598	31,284	1,350	339	.25
1953.....	108	40,429	37,302	1,663	278	.17
1954.....	99	32,673	29,433	1,378	766	.56
1955.....	102	30,820	27,164	1,366	2,011	1.47
1956.....	113	41,710	41,037	2,708	9,082	3.35
1957.....	115	39,195	28,319	2,229	1,026	.46
1958.....	207	40,012	32,069	2,068	1,165	.56
1959.....	259	52,267	53,406	3,415	2,967	.87
1960.....	265	52,079	56,212	3,575	5,195	1.45
1961.....	272	50,872	44,838	2,756	644	.23
1962.....	337	59,869	55,934	3,629	5,502	1.52
1963.....	380	67,838	75,833	5,131	2,083	.41
1964.....	446	80,804	102,130	6,300	10,500	1.67
1965.....	458	84,297	108,716	6,978	14,235	2.04

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Corn						
(Cont'd)						
1966.....	508	85,666	\$115,492	\$ 7,263	\$ 3,289	.45
1967.....	528	83,018	136,516	8,249	7,790	.94
1968.....	551	83,775	142,181	8,310	5,477	.66
1969.....	577	79,481	150,926	8,086	4,633	.57
1970.....	575	71,649	150,384	7,833	9,196	1.17
1971.....	582	77,078	232,938	11,582	4,263	.37
1972.....	582	68,468	174,419	8,292	2,108	.25
Total....	---	---	---	106,987	96,197	.90
Cotton						
1948.....	53	19,479	22,123	1,411	605	.43
1949.....	52	26,667	26,717	1,580	3,112	1.97
1950.....	80	63,969	33,302	1,831	5,148	2.81
1951.....	101	57,715	44,647	2,674	2,202	.82
1952.....	98	38,086	38,007	2,079	922	.44
1953.....	109	38,434	47,190	2,353	2,460	1.05
1954.....	101	24,196	28,395	1,494	839	.56
1955.....	101	19,319	23,718	1,249	1,055	.84
1956.....	116	29,975	29,872	1,692	1,137	.67
1957.....	119	25,451	18,035	1,105	593	.54
1958.....	118	20,410	12,592	753	187	.25
1959.....	133	19,910	17,686	1,288	574	.45
1960.....	142	15,628	16,513	1,191	615	.52
1961.....	141	15,375	17,890	1,282	1,769	1.38
1962.....	161	21,312	36,183	2,229	2,760	1.24
1963.....	199	26,526	56,352	3,506	2,450	.70
1964.....	221	24,865	57,376	3,606	1,656	.46
1965.....	229	21,152	45,413	2,848	2,396	.84
1966.....	263	23,458	42,582	2,490	5,707	2.29
1967.....	276	25,774	69,182	3,501	13,482	3.85
1968.....	284	32,646	132,075	6,754	12,938	1.92
1969.....	299	31,786	139,424	7,622	19,887	2.61
1970.....	299	24,821	73,550	4,793	6,360	1.33
1971.....	299	19,593	56,532	3,783	6,308	1.67
1972.....	299	14,960	57,112	3,612	3,486	.97
Total....	---	---	---	66,726	98,648	1.48
Flax						
1948.....	48	16,782	13,469	1,547	795	.51
1949.....	48	19,267	7,784	882	543	.62
1950.....	63	20,847	4,999	490	205	.42
1951.....	61	19,788	4,698	459	226	.49
1952.....	59	18,257	6,195	512	407	.79
1953.....	53	23,433	8,928	824	786	.95
1954.....	53	23,451	8,575	939	719	.77
1955.....	50	20,012	6,011	703	544	.77

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Flax						
(Cont'd)						
1956.....	52	17,256	\$ 5,566	\$ 646	\$ 347	.54
1957.....	52	15,021	4,408	515	1,265	2.46
1958.....	55	16,543	3,557	410	185	.45
1959.....	71	19,066	3,914	451	740	1.64
1960.....	73	18,919	3,925	452	211	.47
1961.....	74	17,647	3,411	440	560	1.27
1962.....	82	19,286	4,300	553	358	.65
1963.....	85	19,995	5,889	684	542	.79
1964.....	89	20,089	4,959	614	867	1.41
1965.....	88	20,341	4,852	600	239	.40
1966.....	88	19,078	4,461	545	525	.96
1967.....	88	16,737	3,560	421	334	.79
1968.....	82	15,559	4,393	511	183	.36
1969.....	82	13,862	4,568	523	141	.27
1970.....	82	9,673	4,673	539	499	.93
1971.....	82	8,730	2,816	316	217	.69
1972.....	82	7,521	1,813	207	145	.70
Total....	---	---	---	14,783	11,583	.78
Grain Sorghum						
1959.....	3	110	54	5	1	.27
1960.....	3	90	33	3	1	.28
1961.....	3	77	15	1	1	.70
1962.....	27	751	1,839	89	35	.39
1963.....	67	5,686	8,408	565	423	.75
1964.....	94	9,025	10,259	695	713	1.03
1965.....	100	9,228	9,598	679	339	.50
1966.....	128	10,891	11,801	801	333	.42
1967.....	141	11,734	17,879	1,160	885	.76
1968.....	180	12,993	21,182	1,213	1,229	1.01
1969.....	185	12,435	19,542	1,078	440	.41
1970.....	185	12,317	20,978	1,196	1,150	.96
1971.....	185	12,187	24,371	1,442	842	.58
1972.....	185	11,160	19,091	1,134	983	.87
Total....	---	---	---	10,061	7,375	.73
Grape						
1967.....	8	224	1,730	89	90	1.02
1968.....	8	263	2,172	113	141	1.25
1969.....	8	232	1,955	103	267	2.59
1970.....	8	246	2,089	113	87	.77
1971.....	8	207	1,996	104	---	---
1972.....	8	254	2,868	148	605	4.10
Total....	---	---	---	670	1,190	1.78

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Oat						
1959.....	27	4,401	\$ 1,235	\$ 81	\$ 80	.99
1960.....	25	5,074	1,268	83	54	.65
1961.....	24	4,908	1,214	96	121	1.26
1962.....	86	11,899	3,292	249	118	.47
1963.....	168	22,084	6,542	481	290	.60
1964.....	217	30,395	7,896	582	402	.69
1965.....	221	32,966	8,067	595	133	.22
1966.....	238	32,916	8,221	596	355	.60
1967.....	246	32,392	9,110	623	298	.48
1968.....	252	33,908	11,680	801	316	.39
1969.....	259	31,396	10,972	724	310	.43
1970.....	259	26,715	9,990	660	310	.47
1971.....	259	24,389	9,277	585	146	.25
1972.....	259	20,417	6,291	381	468	1.23
Total.....	---	---	---	6,537	3,401	.52
Pea						
1962.....	1	149	1,973	103	317	3.08
1963.....	12	1,042	4,763	261	138	.53
1964.....	20	2,260	5,931	353	932	2.64
1965.....	20	3,432	6,001	411	357	.87
1966.....	20	3,827	6,101	442	1,190	1.69
1967.....	29	4,455	7,039	512	388	.76
1968.....	32	4,258	7,111	519	1,440	2.77
1969.....	54	4,544	6,595	502	362	.72
1970.....	54	4,197	5,425	428	420	.98
1971.....	53	3,732	4,078	311	184	.59
1972.....	53	3,112	3,385	257	133	.52
Total.....	---	---	---	4,099	5,861	1.43
Peach						
1957.....	1	92	242	37	19	.50
1958.....	1	97	317	49	37	.77
1959.....	1	87	318	48	55	1.13
1960.....	1	113	343	52	40	.76
1961.....	1	46	117	24	15	.63
1962.....	4	359	2,633	326	590	1.81
1963.....	19	790	4,054	508	525	1.03
1964.....	20	688	3,546	448	1,567	3.50
1965.....	21	762	5,139	651	346	.54
1966.....	23	632	3,391	430	410	.95
1967.....	23	492	2,705	340	778	2.29
1968.....	23	460	2,733	400	94	.24
1969.....	23	411	2,607	366	148	.41
1970.....	23	357	2,451	345	411	1.19
1971.....	23	305	2,182	313	553	1.77
1972.....	23	285	2,150	314	684	2.18
Total.....	---	---	---	4,651	6,272	1.35

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Peanut						
1962.....	4	1,649	\$ 3,822	\$ 193	\$ 67	.35
1963.....	33	4,302	9,977	613	469	.77
1964.....	43	4,499	10,820	659	861	1.31
1965.....	46	4,197	11,598	673	176	.26
1966.....	51	4,184	11,244	643	163	.25
1967.....	53	4,049	12,922	719	393	.55
1968.....	54	3,975	14,505	807	432	.53
1969.....	56	3,933	18,539	1,008	637	.63
1970.....	56	3,930	21,126	1,125	243	.22
1971.....	56	3,797	22,009	1,149	2,485	2.16
1972.....	56	3,766	22,437	1,197	631	.53
Total....	---	---	---	8,786	6,557	.75
Potato						
1962.....	1	334	1,738	91	198	2.17
1963.....	9	590	6,311	309	683	2.21
1964.....	9	484	3,735	190	756	3.98
1965.....	14	759	3,205	200	216	1.08
1966.....	14	711	3,409	214	486	2.27
1967.....	17	593	1,799	138	146	1.05
1968.....	17	309	995	72	99	1.38
1969.....	17	256	751	55	85	1.54
Total....	---	---	---	1,269	2,669	2.10
Raisin						
1961.....	7	1,467	10,279	284	2	.01
1962.....	7	1,938	10,395	259	---	---
1963.....	7	1,993	12,926	360	1,311	3.64
1964.....	7	1,605	10,073	291	5	.02
1965.....	7	1,847	13,766	373	27	.07
1966.....	7	1,958	14,936	401	27	.07
1967.....	7	2,029	12,149	334	21	.06
1968.....	7	1,935	15,398	414	14	.03
1969.....	7	1,785	13,889	386	115	.30
1970.....	7	1,752	10,354	291	---	---
1971.....	7	1,690	10,444	309	---	---
1972.....	7	1,417	3,801	111	1	.01
Total....	---	---	---	3,813	1,523	.40
Rice						
1960.....	5	189	313	15	8	.58
1961.....	4	65	243	11	11	1.03
1962.....	6	94	366	19	12	.64
1963.....	9	98	429	21	---	---
1964.....	17	217	1,879	66	44	.68
1965.....	19	201	1,834	62	26	.43

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Rice						
(Cont'd)						
1966.....	20	178	\$ 1,615	\$ 54	\$ 18	.34
1967.....	24	205	2,153	63	19	.31
1968.....	24	180	2,176	62	48	.77
1969.....	24	164	1,540	43	19	.44
1970.....	24	142	1,343	39	3	.07
1971.....	24	197	2,308	63	33	.51
1972.....	24	224	2,482	66	38	.57
Total....	---	---	---	584	279	.48
Safflower						
1964.....	2	35	14	2	5	3.02
1965.....	2	36	4	1	4	7.42
1966.....	2	33	2	1	1	2.94
Total....	---	---	---	4	10	3.93
Soybean						
1955.....	6	1,091	455	29	21	.73
1956.....	7	1,560	687	45	34	.74
1957.....	7	1,385	743	50	33	.65
1958.....	136	14,640	7,565	500	181	.36
1959.....	204	26,764	8,799	602	265	.44
1960.....	214	28,947	10,140	670	376	.56
1961.....	227	30,683	12,373	803	432	.54
1962.....	323	38,599	19,070	1,197	803	.67
1963.....	371	48,537	31,627	2,274	2,232	.98
1964.....	436	60,029	45,477	3,228	3,295	1.02
1965.....	450	63,268	52,252	3,515	3,342	.95
1966.....	509	66,992	60,377	3,988	2,316	.58
1967.....	544	68,332	65,929	4,177	5,319	1.27
1968.....	565	69,209	71,598	4,420	3,456	.78
1969.....	602	66,033	72,343	4,239	3,765	.89
1970.....	602	57,495	65,436	3,925	2,306	.59
1971.....	602	54,358	67,805	3,921	2,824	.72
1972.....	602	48,740	69,325	3,901	3,089	.79
Total....	---	---	---	41,484	34,089	.82
Sugar Beet						
1965.....	4	449	2,558	89	26	.29
1966.....	16	1,673	7,215	274	159	.58
1967.....	54	2,371	12,707	562	340	.60
1968.....	67	2,059	14,177	617	393	.64
1969.....	78	1,704	12,294	540	691	1.28
1970.....	78	1,725	11,304	485	641	1.32
1971.....	78	1,886	13,447	533	299	.56
1972.....	78	1,696	12,912	501	506	1.01
Total....	---	---	---	3,601	3,055	.85

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Sugarcane						
1967.....	4	200	\$ 2,680	\$ 92	\$ 6	.07
1968.....	11	416	5,406	171	35	.20
1969.....	12	504	4,710	144	11	.08
1970.....	12	509	6,890	190	42	.22
1971.....	12	488	8,431	222	197	.89
1972.....	12	391	7,975	201	189	.94
Total....	---	---	---	1,020	480	.47
Tobacco						
1948.....	32	31,605	21,356	655	285	.43
1949.....	35	35,023	22,922	740	489	.66
1950.....	52	71,898	47,556	1,451	887	.61
1951.....	69	76,426	50,349	1,586	779	.49
1952.....	82	76,973	52,482	1,543	1,213	.79
1953.....	103	102,691	68,355	2,027	3,854	1.90
1954.....	107	83,082	70,634	2,364	2,107	.89
1955.....	127	86,754	72,664	2,720	1,075	.40
1956.....	143	80,796	59,113	2,175	618	.28
1957.....	149	71,497	46,582	1,629	559	.34
1958.....	151	69,157	47,948	1,650	310	.19
1959.....	160	72,385	54,241	1,699	645	.38
1960.....	166	73,224	58,209	2,027	711	.35
1961.....	172	70,651	60,793	2,115	612	.29
1962.....	191	75,774	99,717	3,303	2,617	.79
1963.....	212	80,482	111,058	3,670	2,281	.62
1964.....	217	75,799	102,087	3,355	1,056	.31
1965.....	224	76,416	115,284	3,421	1,814	.53
1966.....	244	80,437	141,008	4,000	2,371	.59
1967.....	252	78,914	151,309	4,182	1,583	.38
1968.....	255	75,537	143,318	3,915	2,096	.54
1969.....	253	73,465	192,951	4,651	4,938	1.06
1970.....	253	74,594	217,762	5,248	3,055	.58
1971.....	253	72,146	210,388	5,071	1,960	.39
1972.....	252	67,237	213,219	5,006	1,796	.36
Total....	---	---	---	70,203	39,711	.57
Tomato						
1963.....	3	124	367	24	10	.41
1964.....	10	214	526	34	9	.25
1965.....	10	166	400	26	7	.27
1966.....	6	123	264	17	31	1.81
1967.....	11	238	553	45	29	.64
1968.....	13	243	698	51	49	.97
1969.....	13	222	527	36	65	1.79
1970.....	13	243	660	45	13	.30
1971.....	13	195	512	35	14	.40
1972.....	13	151	476	31	26	.84
Total....	---	---	---	344	253	.73

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Tung Nut						
1965.....	1	47	\$ 123	\$ 24	\$ 2	.08
1966.....	1	43	117	23	7	.32
1967.....	1	38	103	20	3	.15
1968.....	1	17	44	8	40	4.92
1969.....	1	17	43	9	3	.38
1970.....	1	15	28	5	12	2.27
Total....	---	---	---	89	67	.75
Wheat						
1948.....	200	84,990	84,542	8,580	5,010	.58
1949.....	199	58,881	83,552	7,841	11,209	1.43
1950.....	283	84,816	95,867	8,254	4,287	.52
1951.....	356	105,746	132,120	11,081	11,728	1.06
1952.....	390	118,847	149,422	12,442	10,570	.85
1953.....	405	142,818	187,264	16,075	20,035	1.25
1954.....	402	135,697	144,027	12,983	18,485	1.42
1955.....	400	124,757	125,208	13,208	16,683	1.26
1956.....	389	112,576	114,059	11,306	12,341	1.09
1957.....	390	107,516	88,363	8,106	4,856	.60
1958.....	394	99,998	97,490	9,427	1,490	.16
1959.....	460	104,327	95,992	8,631	5,876	.68
1960.....	480	106,449	90,357	7,925	1,828	.23
1961.....	492	100,193	93,287	8,419	9,159	1.09
1962.....	534	100,327	83,932	7,292	2,768	.38
1963.....	573	103,248	117,083	8,621	8,199	.95
1964.....	598	103,080	132,826	10,300	5,900	.57
1965.....	627	98,833	155,295	11,562	14,309	1.24
1966.....	640	93,995	151,995	10,969	5,882	.54
1967.....	678	89,447	210,028	14,583	16,662	1.14
1968.....	708	90,458	216,007	14,973	15,149	1.01
1969.....	736	87,241	191,002	13,201	9,746	.74
1970.....	734	83,007	181,195	11,848	5,436	.46
1971.....	731	77,876	212,608	13,255	5,586	.42
1972.....	731	71,753	195,978	11,951	5,053	.42
Total....	---	---	---	272,833	228,247	.84
Puerto Rico Reinsurance						
1968.....	---	---	2,106	96	5	.05
1969.....	---	---	1,562	71	4	.05
1970.....	---	---	1,270	59	10	.16
1971.....	---	---	1,371	62	1	.01
1972.....	---	---	1,150	54	4	.08
Total....	---	---	---	342	24	.07

CROP INSURANCE EXPERIENCE BY YEARS 1948-1972

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount Indemnities	Loss Ratio
Grand Total						
1948.....	375	169,129	\$153,997	\$ 12,684	\$ 6,780	.53
1949.....	394	165,076	163,495	11,862	15,531	1.31
1950.....	624	306,685	240,448	14,104	12,799	.91
1951.....	810	343,210	317,463	19,111	21,338	1.12
1952.....	874	340,686	350,216	21,200	20,609	.97
1953.....	922	406,630	437,514	27,098	31,057	1.15
1954.....	884	346,887	354,279	22,655	28,030	1.24
1955.....	888	319,958	309,924	22,330	25,505	1.14
1956.....	948	324,949	306,743	22,139	27,890	1.26
1957.....	989	307,604	242,200	17,407	12,004	.69
1958.....	1,213	324,435	242,712	17,617	4,505	.26
1959.....	1,488	339,463	270,828	18,461	14,138	.77
1960.....	1,550	330,448	265,885	17,797	10,316	.58
1961.....	1,597	320,056	271,709	18,149	16,092	.89
1962.....	1,967	364,175	356,354	21,854	24,022	1.10
1963.....	2,379	418,076	496,669	30,374	23,524	.77
1964.....	2,689	447,567	542,117	33,852	30,362	.90
1965.....	2,781	450,652	590,393	36,015	40,753	1.13
1966.....	3,023	457,396	635,523	36,828	25,198	.68
1967.....	3,245	449,143	773,010	43,485	55,112	1.27
1968.....	3,398	455,750	875,054	48,966	51,280	1.05
1969.....	3,558	436,103	918,520	48,816	52,780	1.08
1970.....	3,537	396,816	852,086	44,387	41,850	.94
1971.....	3,536	381,148	946,198	47,878	28,556	.60
1972.....	3,535	342,328	856,133	42,129	25,239	.60
Total.....	---	---	---	697,198	645,270	.93

SUMMARY OF FCIC EXPERIENCE 1939-72

<u>Year</u>	<u>Liability</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Loss Ratio</u>
	(Thousands of Dollars)			(As % of Protection)		
1939	\$ 34,475	\$ 3,411	\$ 5,603	9.9	16.3	1.64
1940	67,029	9,155	13,869	13.7	20.7	1.51
1941	101,700	11,279	18,924	11.1	18.6	1.68
1942	197,613	16,694	24,937	8.4	12.6	1.49
1943	244,394	18,236	33,231	7.5	13.6	1.82
1944	(No Insurance Offered)					
1945	148,161	9,360	23,246	6.3	15.7	2.48
1946	350,623	35,329	63,489	10.1	18.1	1.80
1947	420,921	43,777	35,244	10.4	8.4	.81
1947 & Prior	1,564,916	147,241	218,543	9.4	14.0	1.48
1948	153,997	12,684	6,780	8.2	4.4	.53
1949	163,495	11,862	15,531	7.3	9.5	1.31
1950	240,448	14,104	12,799	5.9	5.3	.91
1951	317,463	19,111	21,338	6.0	6.7	1.12
1952	350,216	21,200	20,609	6.1	5.9	.97
1953	437,514	27,098	31,057	6.2	7.1	1.15
1954	354,279	22,655	28,030	6.4	7.9	1.24
1955	309,924	22,330	25,505	7.2	8.2	1.14
1956	306,743	22,139	27,890	7.2	9.1	1.26
1957	242,200	17,407	12,004	7.2	5.0	.69
1958	242,712	17,617	4,505	7.3	1.9	.26
1959	270,828	18,461	14,138	6.8	5.2	.77
1960	265,885	17,797	10,316	6.7	3.9	.58
1961	271,709	18,149	16,092	6.7	5.9	.89
1962	356,354	21,854	24,022	6.1	6.7	1.10
1963	496,669	30,374	23,524	6.1	4.7	.77
1964	542,117	33,852	30,362	6.2	5.6	.90
1965	590,393	36,015	40,753	6.1	6.9	1.13
1966	635,523	36,828	25,198	5.8	4.0	.68
1967	773,010	43,485	55,112	5.6	7.1	1.27
1968	875,054	48,966	51,280	5.6	5.9	1.05
1969	918,520	48,816	52,780	5.3	5.7	1.08
1970	852,086	44,387	41,850	5.2	4.9	.94
1971	946,198	47,878	28,556	5.1	3.0	.60
1972	856,133	42,129	25,239	4.9	2.9	.60
1948 - 1972	11,769,470	697,198	645,270	5.9	5.5	.93

FEDERAL CROP INSURANCE CORPORATION

Relationship of Changes in 1975 Program Level

to Employment and Outlays

Appropriation and Item of Increase or Decrease	1974 Base Outlays	Increases or Decreases in Appropriation as Reflected in Summary of Increases or Decreases	Changes, 1975			
			Full-Time	Employment		Outlays
				Other	Man-Years	
<u>General and Special Funds:</u>						
Administrative and Operating Expenses....	\$11,994,475	\$ +5,525	- -	- -	- -	\$ +5,525
<u>Public Enterprise Funds:</u>						
Federal Crop Insurance Corporation						
Fund.....	-4,034,000	+8,091,000	- -	+33	+33.8	+8,091,000
Total, Federal Crop Insurance Corporation..	<u>7,960,475</u>	<u>+8,096,525</u>	<u>- -</u>	<u>+33</u>	<u>+33.8</u>	<u>+8,096,525</u>

COMMODITY CREDIT CORPORATION

Purpose Statement

The Commodity Credit Corporation (CCC) is a wholly owned Government corporation, created in 1933 to stabilize, support, and protect farm income and prices; to assist in the maintenance of balanced and adequate supplies of agricultural commodities; and to facilitate the orderly distribution of such commodities. CCC was originally incorporated under a Delaware charter and was reincorporated June 30, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act, approved June 29, 1948, (15 U.S.C. 714).

The principal operations conducted by CCC are support programs for agricultural commodities, including the storage, handling, and disposition of commodities acquired under the programs; set-aside programs for feed grains, wheat, and cotton; and special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954, as amended, which are financed by appropriations authorized by statutes providing for the activities. Under section 4 of the Food for Peace Act of 1966, CCC finances short-term export credit sales on credit terms not to exceed three (3) years under the Export Credit Sales Program.

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairman of the board. The board consists of six members, in addition to the Secretary, who are appointed by the President of the United States by and with the advice and consent of the Senate. A bipartisan advisory board of five members, also appointed by the President, surveys the general policies of the Corporation and advises the Secretary. Officers of the Corporation are designated according to their positions in the Department of Agriculture.

The activities of the Corporation are carried out mainly by the personnel and through the facilities of the Agricultural Stabilization and Conservation Service (ASCS) and the Agricultural Stabilization and Conservation (ASC) State and county committees. The Export Marketing Service, other agencies and offices of the Department and commercial agents are also used to carry out certain phases of the Corporation's activities.

ASCS administers CCC's activities through its central office in Washington, D. C., and its 2 commodity offices located in Prairie Village, Kan., and Minneapolis, Minn. As of September 30, 1973, functions of the New Orleans Commodity Office were combined with Prairie Village operations. In addition, the Service has a Data Systems, Accounting, Administrative Services, and Personnel Field Office located in Kansas City, Mo.

The ASC State and county committees carry out certain of the Corporation's support and related activities within the States and counties. There are 50 State offices, and insular area office in Puerto Rico, and approximately 2,800 county offices. The ASC State committees supervise the activities of the ASC county committees in their respective States.

FINANCING

Borrowing authority.--The Corporation has an authorized capital stock of \$100 million held by the United States and authority to borrow up to \$14.5 billion. Funds are borrowed from Treasury and may also be borrowed from private lending agencies. In connection with loan guarantees or any other certificate of indebtedness (bonds, notes, debentures, etc.), the Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all borrowings from private sources. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938 (15 U.S.C. 713a-4).

Reimbursement for net realized losses.--Under Public Law 87-155 (15 U.S.C. 713a 11, 12), annual appropriations are authorized for each fiscal year, commencing with the fiscal year 1961. These appropriations are to reimburse the Corporation for net realized losses incurred as reflected in its accounts and shown in its report of financial condition.

Available Funds, 1973 and 1974, and Estimated, 1975

Item	1973	Available 1974	Budget Estimate, 1975
Commodity Credit Corporation: Support and related programs: Reimbursement for net realized losses	\$4,057,952,000	\$3,301,940,000	\$4,249,412,000
Reimbursement to CCC, National Wool Act	66,696,700	58,803,500	70,000,000
Total, Commodity Credit Corporation	4,124,648,700	3,360,743,500	4,319,412,000

(a) Reimbursement for Net Realized Losses

Appropriation Act, 1974	\$3,301,940,000
Budget Estimate, 1975	<u>4,249,412,000</u>
Increase in appropriation	<u>+947,472,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

	<u>1974</u>	<u>Increase or Decrease</u>	<u>1975 Estimate</u>
Reimbursement of losses:			
Balance of 1972 losses ..	-	+\$155,469,000	\$155,469,000
1973 Losses	-	+\$4,093,943,000	\$4,093,943,000
Partial reimbursement of 1972 losses	<u>\$3,301,940,000</u>	<u>-\$3,301,940,000</u>	<u>-</u>
Total	<u>\$3,301,940,000</u>	<u>+\$947,472,000</u>	<u>\$4,249,412,000</u>

PROJECT STATEMENT
(on basis of appropriation)

<u>Project</u>	<u>1973</u>	<u>1974 (Estimated)</u>	<u>Increase</u>	<u>1975 (Estimated)</u>
Reimbursement for balance of 1972 losses and for 1973 losses:				
Appropriation	\$4,057,952,000	\$3,301,940,000	+\$947,472,000	\$4,249,412,000

The increase of \$947,472,000 in the 1975 budget estimate compared with the 1974 appropriation is explained in the "Justification of Increases and Decreases" which follows the "Explanation of Program" below.

INCREASE

The 1975 estimate of \$4,249,412,000 would reimburse the Corporation for all actual losses through June 30, 1973, and provide an estimated balance of borrowing authority at the end of 1975 of \$9,159,308,000.

EXPLANATION OF PROGRAM

The programs of the Commodity Credit Corporation cover a wide range of operations.

- A. The Commodity Credit Corporation is operated by the Agricultural Stabilization and Conservation Service of the Department of Agriculture.
1. It has no employees -- its functions are performed by ASCS employees.
 2. It is a corporate entity with commercial-type operations primarily related to the support of farm prices, but its budget processes must fit not only its own unique characteristics but also must fit into the processes used in formulating and executing the over-all U.S. Budget.
 3. Its operations are closely related to and affected by the operations of other programs financed from appropriated funds - such as Rural Environmental Assistance Program, Cropland Adjustment Program, Conservation Reserve Program, Sugar Act Program, Section 32 and School Lunch Program.
 4. Its resources are utilized to carry out a variety of program objectives not strictly related to support operations.
 - a. Some of these objectives are the responsibility of agencies other than the Agricultural Stabilization and Conservation Service.

B. CCC operations are unique in many ways.

1. The primary aim of CCC is to assist in stabilizing, supporting and protecting farm income and prices and help maintain balanced and adequate supplies of agricultural commodities.
2. It operates under a large number of statutory directives and limitations and has broad charter powers, authorizing it to carry out almost any operation required to meet these objectives:
 - a. Buying
 - b. Selling
 - c. Bartering
 - d. Donating
 - e. Lending
 - f. Storing
 - g. Transporting
 - h. Making payments
 - i. Other activities
3. The major activity is support of prices as required or authorized by existing law.
 - a. Support of farm prices is accomplished through loans, payments, and purchases from farmers or processors.
 - b. Under existing law -- CCC is required to support the price of corn, cotton, wheat, rice, peanuts, tobacco, dairy products, honey, tung nuts and oil, wool, mohair, barley, oats, rye and grain sorghums at levels provided for by law.
 - (1) CCC has to make an offer, open to all producers, to make loans upon or purchase any quantity of these commodities produced which meet eligibility requirements. Eligibility requirements include grade, moisture content, adequacy of storage and compliance with acreage set-aside provisions, if in effect.
 - c. In addition, CCC supports the prices of other commodities at the discretion of the Secretary. Once announcement is made as to support to be offered and the level thereof, CCC is in the same position as it is with respect to the "mandatory" commodities.
4. CCC has no control over the volume of business it must handle. The relationship of the market price for each commodity to the support price determines the volume of that commodity which will be placed under support or acquired by the CCC.
 - a. This in turn is determined by weather conditions, insect damage, use of fertilizers and all other factors influencing production; and by already existing supplies, domestic and export demand and other factors affecting the market. Dispositions of inventory are governed by the same set of economic factors. These circumstances can cause tremendous variations over relatively short periods in the volume of CCC support operations.
5. CCC also carries out a Storage Facilities Program (loans to producers, use guarantees to warehousemen, and ownership and operation of the largest aggregate of grain storage facilities in the world), commodity export programs and other activities. Support operations and resultant inventory management problems account for the bulk of the total workload, however.

6. There are several other characteristics of CCC operations which are important in analyzing its budget problems and processes.
 - a. CCC deals with millions of producers and utilizes the services of thousands of banks, processors, carriers, exporters, handlers, warehousemen and others.
 - b. CCC operations involve the handling of literally millions of documents and transactions during a 12-month period.
 - c. CCC workload cannot be deferred. Commodities must be moved, warehouse and freight charges must be paid, claims must be settled, and loans must be made and liquidated. Inspection of warehouses and commodities is done by the Agricultural Marketing Service but financed by CCC.
 - d. The manner in which CCC inventories of individual commodities are handled and merchandised is of key importance to both domestic and foreign markets.
 - e. Operating policies directly affect the day-to-day business operations of the many thousands of warehouses, elevators, handlers, processors, banks, exporters, importers, carriers and others with which business dealings are conducted.
 - f. Trade customs and practices with respect to individual commodities must be observed in operations.
 - g. To support prices, CCC makes nonrecourse loans which bear no interest if the borrower does not repay them and which are fully settled by delivery of the commodity to CCC at maturity of the loans.
 - h. Finally, CCC operations are big:
 - (1) The Corporation has a borrowing power of \$14.5 billion and capital stock of \$100 million. Its capital structure is replenished each year by appropriations to restore realized losses on support operations and to reimburse costs of other programs.
 - (2) Its commodity loans and purchases in the fiscal year 1973 amounted to \$1.9 billion, its sales to \$1.2 billion, and it had outstanding loans on commodities of \$1.1 billion and owned commodities with a cost value of \$.5 billion on June 30, 1973.
 - (3) It owns and operates grain storage facilities with capacity of approximately 198 million bushels, comprised of nearly 40,000 structures located on about 1,100 sites in about 350 counties.

The justification of changes follows:

JUSTIFICATION OF INCREASES AND DECREASES

Realized Losses, 1972 and 1973

Item	Fiscal Year 1972	Increase and Decrease	Fiscal Year 1973
Support and related programs:			
Commodity inventory operations:			
Loss or gain* on sales	\$2,290,144*	-\$224,602,295 (1)	\$226,892,439*
Donations	267,974,044	-10,370,851 (2)	257,603,193
Storage and handling expense	121,298,621	-50,095,111 (3)	71,203,510
Transportation expense	67,222,833	-7,835,321 (4)	59,387,512
Total commodity inventory operations	454,205,354	-292,903,578	161,301,776
Commodity export payments	116,934,219	+232,386,843 (5)	349,321,062
Reseal storage payments	78,721,613	+34,288,575 (6)	113,010,188
Set-aside payments:			
Cotton	823,948,814	-10,458,857 (7)	813,489,957
Feed grains	1,053,309,271	+793,026,570 (8)	1,846,335,841
Wheat	884,531,159	-21,480,373 (9)	863,050,786
Total set-aside payments .	2,761,789,244	+761,087,340	3,522,876,584
Wheat certificate sales	392,571,678*	-7,877,523 (10)	400,449,201*
Net payments	2,369,217,566	+753,209,815	3,122,427,383
Other program expense (net) ..	110,100,363	-20,956,246 (11)	89,144,117
Interest (net)	254,072,581	-72,587,386 (12)	181,485,195
Administrative and nonadmin- istrative (net)	74,157,206	+3,095,850 (13)	77,253,056
Total realized losses	3,457,408,902	+636,533,875	4,093,942,777
Unreimbursed 1972 losses to be requested in subsequent years.	-155,468,902	+310,937,804	+155,468,902
Total available or estimate	3,301,940,000	+947,471,679	4,249,411,679

NOTE: Asterisks (*) indicate gain.

Explanation of Increases or Decreases in Realized Losses, 1972 and 1973

(1) A decrease of \$224,602,295 due to greater gain on sales (\$2,290,144 gain in 1972). The decrease results from the larger net gain from sales in 1973 primarily due to a higher volume of sales of wheat, corn, grain sorghum, oats, rye, and flaxseed, along with higher prices.

(2) A decrease of \$10,370,851 in domestic donations (\$267,974,044 in 1972). The decrease is primarily due to lower donations of grain sorghum, oats, cheese, dried milk, vegetable oil products, and peanut butter, partially offset by increases in butter, wheat flour, and rice.

(3) A decrease of \$50,095,111 in storage and handling expenses (\$121,298,621 in 1972). The decrease results primarily from lower average inventories of corn, grain sorghum, barley, oats, wheat, rice, rye, flaxseed, soybeans, cotton, dairy products, and peanuts.

(4) A decrease of \$7,835,321 in transportation expense (\$67,222,833 in 1972). The decrease is due to less transportation of grain sorghum, barley, oats, rye, flaxseed, and dairy products offset by increases in corn and wheat.

(5) An increase of \$232,386,843 in commodity export payments (\$116,934,219 in 1972). The increase is due primarily to increased exports of wheat at higher average rates. Volume and rates of tobacco and rice exports also registered increases.

(6) An increase of \$34,288,575 in reseal storage payments (\$78,721,613 in 1972). The increase is primarily due to increased quantities of corn, grain sorghum, and wheat under reseal loans partially offset by no reseal program for soybeans and reduced oats under reseal.

(7) A decrease of \$10,458,857 in cotton set-aside payments (\$823,948,814 in 1972). The decrease is due to differences in payment yields, decreased participation and decreased small farm payments.

(8) An increase of \$793,026,570 in feed grain set-aside payments (\$1,053,309,271 in 1972). The increase is due to the additional set-aside acreage provision for the 1972 crop and increased participation, partially offset by lower payment rates.

(9) A decrease of \$21,480,373 in wheat set-aside payments (\$884,531,159 in 1972). The decrease is due to a reduction of 28 cents per bushel in the certificate value and lower volume of certificates issued to producers, substantially offset by the additional set-aside payment provision for the 1972 crop of wheat.

(10) A decrease of \$7,877,523 in wheat certificate sales (\$392,571,678 in 1972). The decrease results from an increase in the number of certificates sold to wheat processor.

(11) A decrease of \$20,956,246 in other program expense (\$110,100,363 in 1972). The decrease is primarily due to reduced losses in the rice, peanut, and milk programs, and reduced offshore procurement premiums.

(12) A decrease of \$72,587,386 in net interest expense (\$254,072,581 in 1972). The decrease is due to lower level of Treasury borrowings and increased interest income, partially offset by higher average interest rate.

(13) An increase of \$3,095,850 in administrative and nonadministrative expenses (\$74,157,206 in 1972). The increase is primarily due to amounts transferred to cover increased pay costs and an increase in wheat and feed grains programs and compliance.

The following tables reflect actual and estimated realized losses by commodity and program for fiscal years 1972 through 1975:

Fiscal Year 1972 - Actual (Millions of dollars)

Item	Total	Feed grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans Products	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
Program Costs:										
Gain* or loss on sales	2.3*	.4	24.1*	19.0*	2.8*	1.3*	25.5	14.9	1.4*	5.5
Donations	268.0	9.5	33.8	b/	10.3	-	177.1	b/	21.9	15.4
Storage and handling	121.3	53.7	50.4	.4	3.3	b/	3.9	1.3	b/	8.3
Transportation	67.2	20.7	31.7	b/	1.5	.1*	8.4	.2	.2	4.6
Commodity export payments	116.9	-	65.4	-	24.8	-	-	-	-	26.7
Set-aside payments	2,761.8	1,053.3	884.5	819.4	-	-	-	-	-	4.6
Wheat certificate sales	392.6*	-	392.6*	-	-	-	-	-	-	-
Reseal loan storage payments	78.7	51.3	26.9	-	-	.4	-	-	-	.1
Other	109.1	.7*	.5*	10.6	-	.8*	.1*	80.9	-	19.7
Total, program costs	3,128.1	1,188.2	675.5	811.4	37.1	1.8*	214.8	97.3	20.7	84.9
Nonprogram Costs:										
Interest (net):										
Support and related	277.6									
Short-term export credit sales ...	23.5*									
Administrative and nonadministrative.	75.2									
Total, nonprogram costs	329.3									
Total, realized losses	3,457.4									

* Denotes gain or receipts.

a/ Other commodities and programs include dry edible beans, flaxseed, extra long staple cotton, tung oil, linseed oil, castor oil, rosin, tobacco, rye, blended food products, peanut butter, livestock feed program, supply program, soybean products, offshore procurement premiums, and administrative equipment.

b/ Less than \$50,000.

Fiscal Year 1973 - Estimated (Millions of dollars)

Item	Total	Feed grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
Program Costs:										
Gain* or loss on sales	226.9*	60.5*	170.4*	.2*	.6*	-	.5	10.5	.8*	5.4*
Donations	257.6	9.0	39.1	b/	14.8	-	172.9c/	b/	19.7	2.1
Storage and handling	71.2	31.1	30.4	b/	.8	-	.2.7	1.4	b/	4.8
Transportation.....	59.4	11.9	37.9	b/	1.2	-	6.7	b/	.1	1.6
Commodity export payments	349.3	-	299.7	-	21.8	-	-	-	-	27.8
Set-aside payments	3,522.9	1,846.3	863.1	808.8	-	-	-	-	-	4.7
Wheat certificate sales	400.4*	-	400.4*	-	-	-	-	-	-	-
Reseal loan storage payments	113.0	83.8	28.3	-	-	-	-	-	-	.9
Other	88.4	.8*	.5*	10.5	-	-	-	46.6	-	32.6
Total, program costs	3,834.5	1,920.8	727.2	819.1	38.0	b/	182.8	58.5	19.0	69.1
Nonprogram Costs:										
Interest (net):										
Support and related	166.4									
Short-term export credit sales	15.8									
Administrative and nonadministrative..	77.2									
Total, nonprogram costs	259.4									
Total, realized losses	4,093.9									

* Denotes gain or receipts

a/ Other commodities and programs include dry edible beans, flaxseed, extra long staple cotton, tung oil, linseed oil, castor oil, soybean products, rosin, tobacco, rye, blended food products, peanut butter, livestock feed program, supply program, offshore procurement premiums, storage facilities, administrative equipment, and ARS research.

b/ Less than \$50,000.

c/ Includes Section 709 donations (\$.1 million).

Fiscal Year 1974 - Estimated (Millions of dollars)

Item	Total	Feed grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
Program Costs:										
Gain* or loss on sales	546.6*	157.8*	373.5*	-	b/	-	-	.6	-	15.9*
Donations	238.1	5.4	29.7	-	11.0	-	83.2c/	b/	15.8	93.0 d/
Storage and handling	39.7	21.8	14.1	-	b/	-	1.1	.9	b/	1.8
Transportation	53.7	14.0	34.2	-	.1	-	.5	b/	.9	4.0
Commodity export payments	52.7	-	38.9	-	.1	-	-	-	-	13.7
Set-aside payments	2,363.2	1,171.0	477.3	709.1	-	-	-	-	-	5.8
Wheat certificate sales	-	-	-	-	-	-	-	-	-	-
Reseal loan storage payments	-	-	-	-	-	-	-	-	-	-
Other	146.5	-	.1*	3.0	-	-	-	68.1	.1*	75.6
Total, program costs	2,347.3	1,054.4	220.6	712.1	11.2	b/	84.8	69.6	16.6	178.0
Nonprogram Costs:										
Interest (net):										
Support and related	127.1									
Short-term export credit sales	30.1*									
Administrative and nonadministrative ..	76.1									
Total, nonprogram costs	173.1									
Total, realized losses	2,520.4									

* Denotes gain or receipts.

a/ Other commodities and programs include flaxseed, extra long staple cotton, tung oil, soybean products, tobacco, rye, blended food products, peanut butter, livestock feed program, supply program, offshore procurement premiums, administrative equipment, and storage facilities.

b/ Less than \$50,000.

c/ Includes Section 709 donations (\$13.8 million).

d/ Includes Section 4(a) donations (\$92.9 million).

Fiscal Year 1975 - Estimate (Millions of dollars)

Item	Total	Feed grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
Program Costs:										
Gain* or loss on sales	15.1*	13.8*	1.2*	-	-	-	-	-	-	.1*
Donations	157.6	5.6	50.8	-	18.3	-	-	b/	82.8	.1
Storage and handling	5.4	4.3	.2	-	.9	-	-	.1	b/	.1*
Transportation	12.9	2.6	1.3	-	7.1	-	-	b/	1.8	.1
Commodity export payments	6.3	-	-	-	-	-	-	-	-	6.3
Disaster or set-aside payments	179.0	25.0	75.0	-	-	-	-	-	-	4.0
Wheat certificate sales	-	-	-	-	-	-	-	-	-	-
Reseal loan storage payments	-	-	-	-	-	-	-	-	-	-
Other	19.8	.1	-	3.0	-	-	-	-	.1*	-
Total, program costs	365.9	23.8	126.1	78.0	26.3	-	-	7.6	84.5	9.3

Nonprogram Costs:

Interest (net):	
Support and related	30.2
Short-term export credit sales	20.5*
Administrative and nonadministrative	78.9
Total, nonprogram costs	88.6
Total, realized losses	454.5

* Denotes gain or receipts.

a/ Other commodities and programs include extra long staple cotton, tobacco, rye, blended food products, livestock feed program, supply program, offshore procurement premiums, administrative equipment, and storage facilities program.

b/ Less than \$50,000.

STATUS OF PROGRAM

INTRODUCTION

The Commodity Credit Corporation carries out operations on a nation-wide basis, involving many agricultural commodities. These actions have economic impact on domestic and international markets. The Corporation makes loans on agricultural commodities, and barter agricultural commodities for materials, goods, services, and equipment. The purchases, sales, storage, handling, etc. of these commodities and materials involve many different trade practices. The Corporation endeavors to use normal trade facilities to the fullest practicable extent in its operations. Such facilities include commercial banks, growers' organizations, brokers, exporters, cooperative associations, warehousemen, and others.

Although ASCS, through its personnel and facilities, administers support operations, the programs are authorized and financed by the Corporation.

The principal activities carried out by the Corporation involve:

1. Support and related activities.
2. Commodity export activities.
3. Storage activities.
4. Supply and foreign purchase.
5. Acquisition and disposal.
6. Special activities.

SUPPORT AND RELATED ACTIVITIES

Commodities Covered

ASCS administers support programs for wheat, corn, cotton (upland and extra long staple), peanuts, rice, tobacco, milk, wool, mohair, tung nuts, barley, oats, grain sorghum, rye, flaxseed, soybeans, dry edible beans, honey and crude pine gum.

Purpose of Loans

Support loans and purchases give farmers a ready means of promoting more orderly marketing, particularly in periods when bountiful harvest supplies threaten to push prices of farm commodities down to unfair levels. These inventories are, in turn, released into the market as needed to stabilize supplies and prices.

Technique for Administering Support Operations

Support is achieved through loans, purchases, and payments for selected commodities, at announced or guaranteed levels. Recent legislation is designed to attract the farm production that is needed to meet domestic and foreign demand for food and fiber. At the same time, income to growers is protected through an established target price mechanism for the major commodities: feed grains, wheat, and cotton. Payments are required when the established prices for those commodities exceed the national average market price or the loan rate, whichever is higher. In addition, new legislation provides for making disaster payments to producers who are prevented from planting feed grains, wheat, or upland cotton because of a natural disaster or condition beyond the control of the producers or who, because of such a disaster or condition, harvest less than a specified quantity.

Eligibility for support loans, purchases and payments is conditioned on compliance with program requirements for the particular commodity. Support loans to producers are "nonrecourse." With this type of loan, producers do not suffer any loss for any decline in the market price of the commodity they have put up as collateral. If market prices are above support levels, producers can pay off their loans and market their commodity. If market prices fail to rise above support levels, producers can deliver the commodity to the Corporation, with appropriate adjustments for quality and quantity, and discharge their obligation in full.

For most commodities, loans are made directly to producers on the unprocessed commodity through ASCS county offices. Small amounts of some grains are also purchased from producers. Milk is supported through purchases of processed dairy products. Support on tobacco, peanuts, naval stores, and a part of the cotton crop is carried out through loans to producer cooperative associations that, in turn, make support available to producers.

Loan Period Availability

Loans are available for periods of six to eight months following harvest. Depending on the commodity, loans generally mature one to three months following the end of loan availability. Loans for cotton, however, mature 10 months after disbursement. Support purchases from producers are made at the time of loan maturity for the crop. In recent years, farmers also have been able to continue their loans on certain grains in farm storage beyond the first year, earning storage payments during the loan extension (reseal) period. No loan extension (reseal) program is in effect for fiscal year 1974.

Loan and Purchase Volume - Fiscal Year 1973

Dollar volume of support extended through loans on 1972 crop production totals \$1,423.6 million. However, acquisitions of commodities under loan amounted to \$52.3 million. Purchases of dairy products, products of wheat, corn, oats and vegetable oils for donations and small purchases of grains on which loans are also made total \$511.6 million.

Wool and Mohair Program

The support for wool and mohair is accomplished through payments which, in combination with producers' marketing returns, brought their total return up to the support price on the average. Prices received by producers are estimated to exceed support prices in fiscal years 1974 and 1975, and no payments are expected to be made.

Set-aside Program

The Agricultural Act of 1970 (PL 91-524) authorized a set-aside program for the 1973 crops of feed grains, wheat and upland cotton. Producers must, as a condition of eligibility for loans, purchases, payments, and certificates (in the case of wheat) on such commodity, set aside and devote to approved conservation uses specified acreages of cropland and otherwise comply with program requirements.

The Agriculture and Consumer Protection Act of 1973 (PL 93-86) authorizes a set-aside program for the 1974 crops of feed grains, wheat and upland cotton. There will be no set-aside requirement for the 1974 crops as determined by the Secretary. Producers must, as a condition of eligibility for loans, purchases and payments on such commodity, comply with announced program requirements. The wheat certificate program was terminated by the new Act, effective with the 1974 crop.

Disaster Reserve

Under Section 813 of the Agricultural Act of 1970, as amended by the Agriculture and Consumer Protection Act of 1973, the Secretary shall establish, maintain and dispose of a separate reserve of inventories of not to exceed 75 million bushels of wheat, feed grains and soybeans for the purpose of alleviating distress caused by a natural disaster. The Secretary shall acquire such commodities through the price support program; 50 million bushels of oats held by the Commodity Credit Corporation has been designated as a disaster reserve. In order to rotate,

distribute and locate reserves, such reserve may be sold at equivalent prices. The Secretary may use the Commodity Credit Corporation and shall utilize usual and customary channels, facilities and arrangements of trade and commerce to the maximum extent possible. Appropriations are authorized for sums necessary to carry out the purposes of this section.

Table I below itemizes direct payments made to producers by fiscal year:

Table I - Payments to Producers

Item	1969 Actual	1970 Actual	1971 Actual	1972 Actual	1973 Actual	1974 Estimate	1975 Estimate ^{a/}
<u>Millions of Dollars</u>							
Feed grains	1,427.3	1,268.1	1,503.6	1,053.3	1,846.3	1,171.0	25.0
Wheat	770.6	839.1	873.6	884.5	863.1	477.3	75.0
Cotton, upland and ELS ..	739.1	819.6	917.5	824.0	813.5	714.9	79.0
Subtotal	2,937.0	2,926.8	3,294.7	2,761.8	3,522.9	2,363.2	179.0
Wool and mohair ^{b/}	65.1	52.6	71.9	112.8	68.0	--	--
Total payments	3,002.1	2,979.4	3,366.6	2,874.6	3,590.9	2,363.2	179.0
Wheat certificates sold to processors	-387.5	-389.4	-385.4	-392.6	-400.4	--	--
Net payments	2,614.6	2,590.0	2,981.2	2,482.0	3,190.5	2,363.2	179.0

^{a/} Largely disaster payments under P.L. 93-86.

^{b/} Further details for "National Wool Act" are contained in this volume of explanatory notes.

Table II below itemizes summary of support and related operations:

Table II - CCC loan, inventory, and related activities

Item	1973 Actual	1974 Estimate	1975 Estimate
<u>Millions of Dollars</u>			
Support and Related:			
Loan Activity: (Including storage facilities)			
Loans outstanding, beginning of year	2,486.2	1,428.3	815.7
Loans made	1,580.2	1,298.4	2,133.7
Loans repaid	2,537.2	1,837.0	1,643.6
Collateral acquired	52.3	1.9	173.2
Write-offs	46.9	71.8	11.1
Transfers to accounts receivable	1.7	.3	.3
Loans outstanding, end of year	1,428.3	815.7	1,121.2
Inventory Activity:			
Inventory, beginning of year	1,090.1	478.7	30.2
Purchases	511.6	280.1	319.7
Collateral acquired	52.3	1.9	173.2
Loan collateral settlements and overdeliveries	12.5	.3	.1
Processing, packaging, etc.	6.9	3.6	1.4
Storage and handling (including depreciation)	(71.2)	(39.7)	(5.4)
Transportation	(59.4)	(53.7)	(12.9)
Transfers (net)	-4.5	--	--
Cost of sales	932.7	603.0	180.3
Donations	257.5	131.4	157.6
Inventory, end of year	478.7	30.2	186.7
Payments to producers (gross) (excludes wool)	3,522.9	2,363.2	179.0
Realized loss	4,093.9	2,520.4	454.5
Investment in agricultural commodities	1,632.8	587.0	1,114.3

COMMODITY EXPORT ACTIVITIES

In order to maintain the U.S. share in foreign trade and to stimulate exports, the Corporation makes export payments to exporters. Payments during FY 1973 totaled \$349.3 million representing the difference between the higher domestic price and the world price.

Under authority of the Corporation charter and Sec. 4 of the Food for Peace Act of 1966, a short-term export credit sales program makes available commercial sales of agricultural commodities on a deferred payment basis for periods up to a maximum of three years. Interest is charged at a rate announced each month by the Corporation. All sales are made to U.S. exporters who pass the credit on to foreign buyers. An assurance of payments from U.S. or foreign banks is required.

From the beginning of this program in 1966 through June 30, 1973, sales of agricultural commodities have amounted to approximately \$3,208 million, including \$1,029 million in the fiscal year ending June 30, 1973. Principal repayments have totaled \$1,938 million through June 30, 1973 - including \$319 million in fiscal year 1973. As of June 30, 1973 balances due under this program amounted to \$1,292 million.

STORAGE ACTIVITIES

The objectives of the Corporation in carrying out its storage program are:

- (1) Help producers finance storage facilities on their own farms, (2) make maximum use of commercial facilities in the storage of CCC-owned commodities, and (3) provide CCC-owned or operated facilities for storing CCC-owned commodities where privately owned facilities are inadequate.

Government Storage

As of June 30, 1973, the Corporation owned bins having a storage capacity of about 198 million bushels made up of 39,858 individual structures. In the fiscal year 1973, 31,752 structures with a capacity of 97.6 million bushels were sold to farmers and nonprofit organizations.

Commercial Storage

The Corporation has a uniform grain storage agreement under which it makes storage payments to commercial warehousemen storing grain for CCC in country, subterminal, and terminal elevators. The agreement specified a flat per-day storage rate for about 7,700 grain warehouse facilities operating under the agreement. The facilities have a total capacity of 4.8 billion bushels. The Corporation has contracts with around 625 commercial warehousemen in 16 States for the storage of Government-owned and loan cotton. Storage charges are paid at contract rates or at rates in the warehouseman's established tariff, whichever is less, and for reconcentrated cotton, at the standard rates, tariff rates, or special offer rates, whichever is the least. Delivery or outhandling charges are paid at the standard rate and those for other services at the tariff or at special offer rates, whichever is less.

The Corporation also has storage contracts with commercial warehouses for other commodities. Rates are prescribed in the contracts or are negotiated with individual warehousemen. Storage and handling charges in the fiscal year 1973 were \$71.2 million. Related transportation costs were \$59.4 million.

Farm Storage

The reseal loan program permits farmers to extend their support loans beyond the first year on specified commodities for specified periods and receive storage payments. Such payments to farmers in the fiscal year 1973 amounted to \$113.0 million.

No reseal loan program is in effect for the 1973 or prior crops.

Loans made for the construction of farm storage facilities during 1973 totaled \$156.6 million for a capacity of 313.5 million bushels.

Effective September 17, 1973, program changes designed to maintain program activity at a level which will more nearly reflect the current storage situation were instituted. Major changes were an increase in the down-payment requirement, and an increase in the interest rate charged from 6 percent annually to 8-3/4 percent annually. This new rate reflects increased borrowing costs to CCC.

SUPPLY AND FOREIGN PURCHASE

Pursuant to sections 5(b) and (c) of its charter act, and section 4 of the act of July 16, 1943 (15 U.S.C. 713a-9), the Corporation is authorized to procure agricultural commodities in the U.S. and abroad for U.S. and foreign governmental agencies and entities.

ACQUISITION

The Corporation acquires stocks of various farm products as a result of its support activities. Such acquisitions result from purchases from producers and processors as noted earlier, and collateral acquisitions arising from loan operations. The inventory, though down from levels of a few years ago, is substantial. Its acquisition-cost value on June 30, 1973, was \$479 million, compared with \$7,233 million as of June 30, 1960, when surpluses of many commodities were moving toward peak levels. This is a reduction of 93%.

DISPOSAL

Authorities

The following authorities provide the basis for disposition of support inventories:

1. Section 407 of the act of September 1, 1954, as amended (5 U.S.C. 1712-1),
2. Public Law 480, as amended,
3. Barter of agricultural commodities (Title II of the Agricultural Act of 1956, as amended, 7 U.S.C. 1856),
4. Grain for migratory waterfowl feed (PL 84-654) and resident game birds (PL 87-152),
5. Disaster livestock feed program (PL 86-299 and 87-127),
6. Donations--Sec. 202, 210, 407, and 416 of the Agricultural Act of 1949,
7. Payment-in-kind - domestic, PL 87-5, Sec. 124 and 133 of the Agricultural Act of 1961, the Agricultural Act of 1964,
8. The Food and Agriculture Act of 1965, PL 89-321,
9. Exports - CCC Charter Act, and Food for Peace Act of 1966, as amended,
10. Sec. 32 of PL 74-320, as amended,
11. Sec. 203 of the Agricultural Act of 1956, as amended (7 U.S.C. 1853),
12. Mutual Security Act of 1954, as amended, Sec. 402 (22 U.S.C. 1922), and
13. Agricultural Act of 1970, PL 91-524.
14. The Agriculture and Consumer Protection Act of 1973, P.L. 93-86.

Donations for Domestic Relief

Laws permit the Corporation to donate food stocks acquired under its programs to specified groups of outlets when necessary to prevent waste of such stocks.

Summary of Dispositions

The Corporation has been able to move substantial quantities of farm commodities into useful channels, both at home and abroad. The value (at acquisition cost) of commodities removed from CCC inventories in the fiscal year 1973 was \$1,190.3 million of which \$1,159.6 million was received from sales proceeds. CCC dispositions estimated for fiscal year 1974 reflect drawdown of CCC stocks, primarily feed grains and wheat, due to continued high exports.

The following table shows value of commodities disposed of during FY 1973.

Type of Disposition	Fiscal Year 1973	
	Cost Value	Proceeds
	(Thousands of dollars)	
<u>Sales for Dollars:</u>		
Domestic	580,354	794,339
Export	69,315	70,368
<u>Public Law 480 (export):</u>		
Title II	279,155	291,537
<u>Donations:</u>		
Domestic	257,603	--
<u>Transfers to Other Government Agencies:</u>		
Domestic (includes Section 32)	561	619
Export	1,490	1,198
<u>Inventory Adjustments and Other Recoveries</u>		
Domestic	1,843	1,550
<u>Subtotal:</u>		
Domestic dispositions	840,361	769,508
Export dispositions	349,960	363,103
<u>TOTAL DISPOSITIONS</u>	<u>1,190,321</u>	<u>1,159,611</u>

Explanation of Dispositions:

Domestic Commercial Sales

For unrestricted use - Commodities acquired under support can be sold for unrestricted use domestically only at prices which are not below minimums prescribed by law. There are no similar minimums on sales of non-storables.

For restricted uses - Commodities may be sold for restricted uses or outlets at less than the minimums prescribed by law. These uses would include net or by-product uses, peanuts and oilseeds sold for extraction of oil, commodities which have substantially deteriorated in quality, or which are in danger of loss or waste, etc.

Export Commercial Sales

For many years, the Corporation has had authority to sell commodities for export without complying with minimum prices applicable to domestic sales.

SPECIAL ACTIVITIES

The Corporation finances activities pursuant to specific provisions of law, other than special activities for which specific annual appropriations are made.

These activities are:

1. Military housing (barter and exchange). During 1957, \$50 million of CCC-owned surplus commodities were exchanged for construction of military housing in France. Costs incurred under this program represent the Corporation's investment in the commodities exchanged. Under a long-term agreement with the Department of Defense, \$2 million was applied in fiscal year 1973 against the amount due under the French housing and \$2 million will be applied in each year. The Corporation's investment in French military housing at June 30, 1973, was \$21,951,000. The agreement between CCC and Department of Defense also provides that upon sale of any of the housing the Corporation will receive the proceeds.
2. Grain for migratory waterfowl (PL 87-152, 7 U.S.C. 442-445). Grain acquired by CCC considered to be unfit for human consumption is furnished to the Department of Interior upon its request to feed migratory waterfowl to prevent damage of crops. Funds are appropriated to the Department of Interior to reimburse CCC for this program.
3. Surplus grain for migratory birds (PL 87-152, 7 U.S.C. 448). The Secretary of Interior may requisition grain from CCC to feed starving migratory birds. Funds are appropriated to the Department of Interior to reimburse CCC for this program.
4. Research to increase domestic consumption of farm commodities. The Department of Agriculture and Related Agencies Appropriation Act of 1964, Public Law 88-250, authorized the transfer of not more than \$16 million from the appropriation, Removal of surplus agricultural commodities (Sec. 32), to the Corporation. These funds were to increase domestic consumption of surplus farm products. The Act also provided for further transfers not in excess of \$25 million in any one year as may be approved by Congress. The 1965 appropriation act authorized the transfer of \$12,175,000 of Section 32 funds for this purpose.

The Corporation transferred such funds to the Agricultural Research Service and Co-operative State Research Service to conduct the required research and for constructing and equipping research facilities. This program was closed out in 1973.
5. Transfer of long-staple cotton from national stockpile for sale by CCC. This cotton was transferred at no cost to CCC. Sales proceeds less administrative expenses and transportation and maintenance costs incurred in financing sales, were covered into the Treasury as miscellaneous receipts. All foreign grown stockpile cotton was sold for export by December 1966. All domestically grown cotton was sold by June 30, 1970. During fiscal year 1971 this program was completed by final payment of net proceeds to the Treasury.
6. Loan to Secretary of Agriculture for conservation purposes. Loans are made to the Secretary in advance of appropriations for the Rural Environmental Assistance Program to purchase conservation materials and services. A loan of \$35.0 million was made and repaid in fiscal year 1973.
7. Purchases of dairy products under Sec. 709 of the Food and Agricultural Act of 1965. The Corporation, on behalf of the Secretary, purchases at market prices dairy products which are donated to meet the requirements for schools, domestic relief distribution, community action programs, and other programs as are authorized by law, when there are insufficient stocks of such products in the hands of the Corporation available for such purposes. During fiscal year 1973 purchases amounted to \$100 thousand. Fiscal year 1974 purchases are estimated to be \$13.8 million.

8. Purchases of commodities for donation under Sec. 4(a) of the Agriculture and Consumer Protection Act of 1973 (P.L. 93-86). Section 4(a) authorizes the Secretary to use the funds of the Commodity Credit Corporation to purchase agricultural commodities and the products thereof, of the types customarily available under Section 416 of the Agricultural Act of 1949, if stocks of the Corporation are not available. Purchases may be made of commodities for donation to maintain annually programed levels of assistance for schools, domestic relief distribution and such other domestic food assistance programs as are authorized by law. This authority is available until July 1, 1974. The estimate for this activity for fiscal year 1974 is \$92.9 million. Costs incurred for this activity will be included in the Corporation's net realized loss for which it is reimbursed annually by appropriation pursuant to Public Law 87-155.

9. Cotton Insect Eradication. Under Sec. 611 of the Agriculture and Consumer Protection Act of 1973, the Secretary is authorized to carry out programs to reduce cotton production costs, to prevent the movement of certain cotton plant insects to areas not now infested and to enhance the quality of the environment. The programs authorized by this subsection shall be carried out through the Commodity Credit Corporation in cooperation with Federal, State, private agencies, and cotton organizations. Expenditures for carrying out the purposes of this subsection shall not be made unless the Corporation has received funds from appropriations made to carry out the purposes of this subsection.

EXPENSES

Expenses of acquisition, operation, maintenance, improvement, or disposition of property which the Corporation owns or in which it has an interest have been treated as program rather than administrative expenses. Such expenses include inspection, classing, and grading work performed on a fee basis by Federal employees or Federal or State licensed inspectors and work performed on a contract or fee basis by Agricultural Stabilization and Conservation County Committees. Capital funds of the Corporation are transferred to the appropriation, Salaries and Expenses, Agricultural Stabilization and Conservation Service, as indicated under that appropriation item for operating expenses relating to the Corporation's programs. Also, expenses of other Federal agencies whose services are used in the handling of Corporation property are treated as program expenses.

ASCS plans to introduce a significant new ADP and communications system into its operation. This effort is an integral part of a broader Management Analysis Project (MAP) which addresses itself to the managerial and operating effectiveness of ASCS and the services offered producers and others. Initially, there will be a pre-pilot operation beginning in fiscal year 1975. During this phase, selected counties will be converted to the new system in order to test system design concepts and specialized equipment needed to conduct the pilot operation to begin late in fiscal year 1975. Terminals will be leased and installed in county offices participating in pre-pilot and pilot operations. Remote batch terminals will be leased and installed in the field offices and Washington. The cost of leasing this equipment will be shown in "Limitation on Administrative Expenses, CCC". Equipment purchases for this new system will represent capital investment under the statutory authority of the Commodity Credit Corporation. New ADP equipment to be purchased in FY 1975 consists of two remote service centers to process input to and output from the central site in Kansas City and one data display terminal in Washington.

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate on all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest is also paid on certificates of interest and lending agency obligations for the period the agencies have their funds invested.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after June 30 of the fiscal year in which such losses are realized.

FINANCING

Borrowing Authority

The borrowing authority of the Corporation at June 30, 1973 of \$14,500 million was authorized by Public Law 864, 84th Congress, approved August 1, 1956. The Corporation reserves a sufficient amount of the borrowing authority to purchase at any time all loans and other obligations held by financial institutions under the Corporation's programs.

As of June 30, 1973, the Corporation had in use \$10,864.3 million of the \$14,500.0 million authorized. This left a statutory borrowing authority available of \$3,635.7 million.

During fiscal year 1973, the Corporation's borrowings from the Treasury aggregated \$5,623.1 million and during the same year \$6,259.8 million was repaid from appropriations received and receipts from operations.

Reimbursement for Net Realized Losses

During fiscal year 1973, the Corporation received \$4,058.0 million for reimbursement of 1971 losses. As of June 30, 1973, there were unrestored realized losses as follows:

<u>Year</u>	<u>(Millions)</u>
1972	\$ 155.5
1973	<u>4,093.9</u>
Total	<u><u>4,249.4</u></u>

These losses are financed by the Corporation's borrowing authority until reimbursed by appropriation.

The Agriculture-Environmental and Consumer Protection Appropriation Act of 1974 included \$3,301.9 million to reimburse the Corporation for the 1972 losses. The 1975 budget request of \$4,249.4 will reimburse the Corporation for actual losses for 1973 and the unreimbursed balance of 1972 losses.

(b) Limitation on Administrative Expenses

Appropriation Act, 1974	\$39,900,000
Budget Estimate, 1975	<u>42,200,000</u>
Increase in Limitation	+2,300,000

SUMMARY OF INCREASES AND DECREASES

(On basis of limitation)

	<u>1974</u>	<u>Program Changes</u>	<u>1975 Estimate</u>
Transfer to:			
"Salaries and Expenses, Agricultural Stabilization and Conservation Service"	\$32,726,000	-\$353,000	\$32,373,000
Allocation to Agricultural Marketing Service	3,075,000	+128,000	3,203,000
Allocation to Export Marketing Service and Foreign Agricultural Service <u>a/</u>	3,830,000	-210,000	3,620,000
Contingency Reserve	<u>269,000</u>	<u>+2,735,000</u>	<u>3,004,000</u>
Total available or estimate	<u>39,900,000</u>	<u>+2,300,000</u>	<u>42,200,000</u>

a/ Pursuant to a proposal in Secretary's Memorandum No. 1833 dated December 7, 1973, the functions of Export Marketing Service are proposed to be transferred to Foreign Agricultural Service.

The amounts shown below for 1975 reflect the total funds proposed to be used for the administrative expense of the Commodity Credit Corporation and are proposed to be advanced as indicated. An explanation of the funds required for 1975 is shown as a part of the budget requests of the respective agencies.

Project Statement

Project	1973	1974 Estimated	Program Changes	1975 Estimated
Transfer to:				
"Salaries and Expenses, Agricultural Stabilization and Conservation Service"	\$33,072,000	\$32,726,000	-\$353,000	\$32,373,000
Agricultural Marketing Service	2,763,886	3,075,000	+128,000	3,203,000
Export Marketing Service	3,755,764	1,758,000	-1,758,000	- -
Foreign Agricultural Service .	- -	2,072,000	+1,548,000	3,620,000
Unobligated balance	308,350	- -	- -	- -
Contingency reserve (unused portion)	- -	269,000	+2,735,000	3,004,000
Total available or estimate	<u>39,900,000</u>	<u>39,900,000</u>	<u>+2,300,000</u>	<u>42,200,000</u>

(c) National Wool Act

Appropriation Act, 1974	\$58,803,500
Budget Estimate, 1975	<u>70,000,000</u>
Increase in appropriation	<u>+11,196,500</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item</u>	1974 Estimate (1972 Calendar Year)	Increase or Decrease	1975 Estimate (1973 Calendar Year)
Total duties collected in the applicable calendar year ...	<u>\$84,005,000</u>	<u>+\$15,995,000</u>	<u>\$100,000,000</u>
70% of duties collected, representing maximum available for reimbursement to CCC (appropriation)	<u>58,803,500</u>	<u>+11,196,500</u>	<u>70,000,000</u>

The 1974 appropriation covers reimbursement for fiscal year 1973 expenditures relating to marketings in the 1972 calendar year. The 1975 appropriation estimate covers fiscal year 1974 estimated expenditures relating to marketings in the 1973 calendar year.

PROJECT STATEMENT
(On basis of appropriation)

<u>Item</u>	1973	1974 (Estimated)	Increase	1975 (Estimated)
Reimbursement to Commodity Credit Corporation for expenditures under the National Wool Act (available or estimate)	\$66,696,700	\$58,803,500	+\$11,196,500	\$70,000,000

- (1) An increase of \$11,196,500 in the appropriation to reimburse the Commodity Credit Corporation.

Commodity Credit Corporation funds are used to operate the wool incentive and mohair support program. The Corporation is reimbursed for the program costs by a permanent appropriation which is limited to 70 percent of all duties collected on wool and wool manufactures during the preceding calendar year. Estimated costs for fiscal year 1974 are \$7,399,000. Because of the reduction in program costs for fiscal years 1974 and 1975, the excess of appropriated funds will be used to reduce the amounts due the Corporation from prior years' programs.

EXPLANATION OF PROGRAM

The wool and mohair payment program administered by the Agricultural Stabilization and Conservation Service is required by the National Wool Act of 1954, as amended. The Act, which has been extended several times, was extended by the Agricultural and Consumer Protection Act of 1973 (P.L. 93-86) to cover marketings through December 31, 1977. The support price for each of the next three years will remain at 72 cents per pound for shorn wool and 80.2 cents per pound for mohair.

Payments are made on marketings during each calendar year of shorn wool, unshorn lambs (to compensate producers for the wool on them) and mohair. The payments are made beginning in April for marketings during the previous year at a rate approximating the difference between the support and the national average price received by producers.

To encourage producers to do a good job of marketing their wool and to receive the best possible price in the market, a percentage of actual price received by the producer is used as payment rate rather than making a uniform flat payment per pound of wool. The higher the market price the producer obtains, the greater the incentive payment that he will receive.

Payments, initially financed by CCC, are made to eligible producers through the Agricultural Stabilization and Conservation Service county offices. Total payments under the Act are limited to 70 percent of the accumulated gross receipts from import duties collected on and after January 1, 1953, on wool and wool manufactures.

The following table shows amounts collected and available for payments:

	Fiscal Year 1973 (1972 Marketing Year) <u>(Actual)</u>	Fiscal Year 1974 (1973 Marketing Year) <u>(Estimate)</u>	Fiscal Year 1975 (1974 Marketing Year) <u>(Estimate)</u>
<u>Item</u>			
Available for payments, 70% of duties collected:			
Cumulative from Jan. 1, 1953	\$1,537,448,287	\$1,607,448,287	\$1,694,948,287
Cumulative payments to producers	<u>976,957,036</u>	<u>976,957,036</u>	<u>976,957,036</u>
Balance available, end of year	<u>560,491,251</u>	<u>630,491,251</u>	<u>717,991,251</u>

The Act provides that the Corporation will be reimbursed for payments to producers and operating costs from the permanent appropriation. The amounts appropriated for any fiscal year shall not exceed 70 per centum of the duties collected during the period January 1 to December 31 preceding the beginning of each such fiscal year.

JUSTIFICATION OF INCREASES AND DECREASES

<u>Item</u>	<u>1974 Estimate (Fiscal Year 1973 Expendi- tures)</u>	<u>Increase or Decrease</u>	<u>1975 Estimate (Fiscal Year 1974 Expendi- tures)</u>
Payments to producers:			
Shorn wool	\$56,197,272	-\$56,197,272(1)	--
Unshorn lambs	11,793,056	-11,793,056(2)	--
Mohair	--	--	--
Total payments	67,990,328	-67,990,328	--
Operating expenses	2,475,000	--	2,475,000
Interest expenses	3,534,826	+1,389,174(3)	4,924,000
Total	<u>74,000,154</u>	<u>-66,601,154</u>	<u>7,399,000</u>

(1) A decrease of \$56,197,272 in shorn wool payments (\$56,197,272 in 1974 estimate). No payments are reflected in fiscal year 1975 since the estimated market price for wool exceeds the support price by 15 cents per pound.

(2) A decrease of \$11,793,056 in payments on unshorn lambs (\$11,793,056 in 1974 estimate). No payments are reflected in fiscal year 1975 since the estimated price for wool exceeds the support price, thus reducing the payment rate from \$1.48 per cwt. to zero.

(3) An increase of \$1,389,174 interest expense (\$3,534,826 in 1974 estimate). This is the result of a balance of \$123,849,000 carried forward of program costs not reimbursed at the end of fiscal year 1973.

STATUS OF PROGRAM

Costs

Costs incurred under this program include payments, operating and interest costs.

The following tables show (1) the basis of the estimates for the fiscal years 1973, 1974, and 1975; (2) the distribution of payments, by States, for the 1972 marketing year; and (3) historical cost data for the wool program.

EXPENDITURES AND REIMBURSEMENTS TO CCC
UNDER THE NATIONAL WOOL ACT

Item	Fiscal Year 1973 (1972 Marketing Year) (Actual)	Fiscal Year 1974 (1973 Marketing Year) (Estimated)	Fiscal Year 1975 (1974 Marketing Year) (Estimated)
Volume of Marketing:			
Pounds of shorn wool	158,435,000	141,165,000	139,258,000
Hundredweight, unshorn lambs	5,394,000	5,200,000	5,000,000
Pounds of mohair	10,500,000	11,000,000	12,700,000
Incentive or Support Level:			
Price per lb. of wool (cents) ...	72.0	72.0	72.0
Price per lb. of mohair (cents) .	80.2	80.2	80.2
Percent of parity - wool	70.6	71.3	57.6
Percent of parity - mohair	61.7	60.3	53.5
Payments under Act - Rates:			
Shorn wool per pound (cents)	37.0	--	--
Unshorn lambs, cwt. (dollars) ...	1.48	--	--
Mohair, per pound (cents)	--	--	--
Amount of payments:			
Shorn wool	56,197,272	--	--
Unshorn lambs	11,793,056	--	--
Mohair	--	--	--
Total payments	67,990,328	--	--
Operating expenses	2,475,000	2,475,000	2,475,000
Interest expense	3,534,826	4,924,000	229,000
Current year expenditures	74,000,154	7,399,000	2,704,000
Unrecovered balance, prior years ..	116,545,406	<u>2</u> /123,848,860	<u>3</u> /72,444,360
Total cumulative unrecovered balance	190,545,560	131,247,860	75,148,360
Reimbursement to CCC (70% of preceeding calendar year duty collections)	<u>1</u> /66,696,700	<u>2</u> /58,803,500	<u>3</u> /70,000,000
Unrecovered balance, end of year ..	123,848,860	72,444,360	5,148,360

- 1/ Reimbursement limited to actual expenditures of preceding fiscal year and prior fiscal year amounts not previously reimbursed.
- 2/ The amount of \$58,803,500 (70% of \$84,005,000 duty collections) can only be appropriated for reimbursement. Therefore, \$72,444,360 in program costs remain unreimbursed.
- 3/ The amount of \$70,000,000 (70% of \$100,000,000 duty collections) can only be appropriated for reimbursement. Therefore, \$5,148,360 in program costs remain unreimbursed.

Producers earning incentive payment, and amount of payments

	Shorn wool			Unshorn lambs			Total payments	Promotion fund deduction
	Producers earning payment	Net weight marketed	Computed payments	Producers earning payment	Net weight marketed	Computed payments		
	Number	1,000 lbs.	Dollars	Number	1,000 lbs.	Dollars	Dollars	Dollars
Ala.....	64	20	7,241	26	57	845	8,086	343
Alaska.....	2	140	56,109	---	---	---	56,109	2,103
Ariz.....	5,477	4,006	1,202,452	---	---	---	1,382,139	64,736
Ark.....	124	33	11,164	65	12,299	179,687	1,382,139	64,736
Calif.....	2,819	12,249	4,106,904	1,257	74,186	2,238	13,402	693
Colo.....	2,303	11,332	2,618,648	1,979	123,597	950,260	5,057,164	220,822
Conn.....	165	29	9,329	31	33	1,040,086	3,658,734	186,205
Del.....	15	4	1,663	16	26	386	9,819	453
Fla.....	24	14	5,127	7	27	407	2,049	82
GA.....	66	25	10,906	15	103	1,521	5,534	224
Hawaii.....	---	---	---	---	---	---	12,427	446
Idaho.....	2,049	6,890	2,083,327	1,861	82,520	881,648	2,964,975	145,529
Ill.....	10,025	2,100	583,639	6,310	11,261	155,176	738,815	38,022
Ind.....	1,456	1,646	375,357	5,484	9,030	130,979	506,336	30,854
Iowa.....	16,032	5,800	1,518,370	10,598	31,075	379,243	1,897,613	91,363
Kans.....	2,730	2,762	710,562	2,469	22,103	293,541	1,004,103	53,116
Kv.....	1,017	349	119,861	917	3,959	57,601	177,462	8,108
La.....	483	117	26,638	23	35	512	27,150	1,775
Maine.....	420	97	34,962	106	249	3,685	38,647	1,622
Md.....	443	113	47,012	331	673	9,855	56,867	2,183
Mass.....	336	49	17,405	33	56	823	18,228	776
Mich.....	3,162	1,866	525,257	2,093	6,945	99,395	624,652	30,864
Minn.....	9,232	3,694	1,106,283	6,787	23,935	310,594	1,416,877	66,085
Miss.....	4,178	44	12,503	36	88	1,296	13,799	705
Mo.....	4,765	1,777	545,523	3,666	9,233	132,444	677,967	31,698
Mont.....	2,866	8,396	3,126,069	2,894	50,518	694,578	3,820,647	159,908
Neb.....	3,550	2,690	787,762	2,832	17,184	193,631	981,393	44,366
Nev.....	171	1,459	466,615	99	7,151	90,297	556,912	26,383
N. H.....	245	38	12,539	42	47	694	13,233	601
N. J.....	280	54	22,950	42	46	683	23,633	843
N. Mex.....	3,389	5,886	2,091,924	1,912	18,876	273,213	2,365,137	100,411
N. Y.....	1,474	204,494	4,021,867	7,312	72,092	881,771	4,903,638	191,451
N. C.....	375	71	29,460	225	2,121	31,154	235,648	10,604
N. Dak.....	3,133	2,892	1,025,084	2,805	21,184	5,766	35,226	1,347
Ohio.....	13,042	5,000	1,469,864	8,667	23,785	248,212	1,273,296	54,106
Okl.....	1,419	1,096	318,318	986	6,321	84,562	1,804,214	87,553
Oreg.....	4,458	4,545	1,911,981	3,340	24,081	322,277	402,880	19,702
Pa.....	3,319	856	375,313	2,168	4,334	62,144	2,234,258	82,555
P. R.....	---	---	---	---	---	---	437,457	15,844
R. I.....	73	8	2,658	4	3	50	2,708	127
S. C.....	17	5	1,907	4	6	90	1,997	75
S. Dak.....	8,198	10,308	4,021,867	7,312	72,092	881,771	4,903,638	191,451
Tenn.....	737	130	54,560	696	1,524	21,888	76,448	3,062
Texas.....	10,907	29,674	14,679,111	7,602	115,844	1,655,177	16,334,288	503,456
Utah.....	3,563	9,148	2,388,285	2,709	67,467	787,636	3,175,921	172,095
Vt.....	124	34	13,296	24	72	1,073	14,369	556
Va.....	3,261	817	393,373	3,132	13,825	173,357	566,730	21,003
V. I.....	---	---	---	---	---	---	---	---
Wash.....	1,398	1,867	572,353	982	13,371	123,045	695,398	25,846
W. Va.....	3,871	750	350,693	3,679	9,723	139,501	490,194	18,260
Wis.....	3,130	930	253,543	2,187	5,701	79,837	333,380	17,631
Wyo.....	2,188	16,002	5,465,962	1,969	69,761	955,414	6,421,376	282,867
Total.....	145,575	158,437	55,776,223	103,988	957,071	11,793,112	67,569,335	2,819,461

1/ No payments made to mohair producers since the average market price of mohair was higher than the support rate.

2/ Total wool payments shown above = \$67,569,335

Unallocated payments and adjustments for period July 1, 1972 to June 30, 1973 = \$67,420,993

Total payments = \$67,990,328

Cost of Wool Programs Financed by
Commodity Credit Corporation

Year	National Wool Act Payment Program (Fiscal Year)	Gross Receipts from Duties Collected on Wool and Wool Manu- factures (Calendar Year)	70% of Duties Collected on Wool and Wool Manufactures Available for Payments (Calendar Year)
1953		\$75,768,963	\$53,038,273
1954		56,635,765	39,645,036
1955	\$187,684	69,930,183	48,951,128
1956	2,020,975	74,694,145	52,285,902
1957	61,292,352	67,233,972	47,063,780
1958	57,182,448	71,500,447	50,050,313
1959	20,025,827	95,985,584	67,189,909
1960	92,653,681	107,539,419	75,277,593
1961	60,886,812	98,806,944	69,164,861
1962	65,347,054	128,827,847	90,179,493
1963	63,164,602	132,071,019	92,449,713
1964	73,203,933	113,323,654	79,326,558
1965	22,577,216	173,538,080	121,476,656
1966	38,260,163	158,357,675	110,850,372
1967	34,792,675	138,500,000	96,950,000
1968	72,451,002	168,000,000	117,600,000
1969	67,892,514	152,866,000	107,006,200
1970	56,272,766	133,489,000	93,442,300
1971	75,430,447	95,281,000	66,696,700
1972	116,545,406	84,005,000	58,803,500
1973	74,000,154	100,000,000 ^{1/}	70,000,000 ^{1/}
Subtotal	1,054,187,711	2,296,354,697	1,607,448,287
1974 ^{1/}	7,399,000	125,000,000	87,500,000
1975 ^{1/}	2,704,000	135,000,000	94,500,000
Total	1,064,290,711	2,556,354,697	1,789,448,287

^{1/} Estimated.

Note: Excludes \$116 million losses by CCC on commodity loan and inventory operations prior to National Wool Act.

Promotion Activities

A "self-help" program for advertising, promotion, and related market development activities is authorized, if approved by producers, by Section 708 of the Act. In a referendum in June 1971, wool and lamb producers approved a new three-year agreement between the Secretary and the American Sheep Producers Council, Inc. The agreement authorized deductions from payments to finance the program. In July 1971, mohair producers approved a similar agreement authorizing deductions from payments to advertise and promote mohair. Under both agreements, deductions from payments began in fiscal year 1972, when payments on 1971 marketings were made and will continue through the agreement period.

The Agriculture and Consumer Protection Act of 1973 provides that advertising and sales promotion programs may be conducted outside of the United States for the purpose of maintaining and expanding foreign markets and uses for mohair or goats or the products thereof produced in the United States.

